

\$1,895,000  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

---

TRANSCRIPT OF PROCEEDINGS

Closing: June 24, 2010

At the Offices of Spilman Thomas & Battle, PLLC  
Charleston, West Virginia

---

**PARTIES:**

Issuer:	Jefferson County Public Service District
Underwriter:	Crews & Associates, Inc.
Bond Counsel:	Spilman Thomas & Battle, PLLC
Issuer's Counsel:	James V. Kelsh, Esquire
Underwriter's Counsel:	Steptoe & Johnson, PLLC
Paying Agent and Escrow Agent:	West Virginia Municipal Bond Commission
Counsel to Paying Agent and Escrow Agent:	Jackson Kelly PLLC
Certified Public Accountant:	CoxHollidaPrice, LLC
Verification Agent:	Herman & Cormany, CPAs, A.C.



\$1,895,000  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

TRANSCRIPT OF PROCEEDINGS

**I. AUTHORITY**

1. Copy, certified by the West Virginia Secretary of State (the “Secretary of State”) as to Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended

**II. BASIC DOCUMENTS**

2. (A) Bond Resolution adopted by the District on April 6, 2010  
(B) Supplemental Bond Resolution adopted by the District on June 18, 2010
3. Certificate of Determination
4. Purchase Contract
5. Preliminary Official Statement
6. Official Statement
7. Continuing Disclosure Agreement
8. [Reserved]
9. Specimen Bonds
10. IRS Form 8038-G
11. Cross Receipt for Bond and Bond Proceeds
12. Orders of the County Commission of Jefferson County Creating the District
13. Orders of the County Commission of Jefferson County Appointing Board Members
14. Oaths of Office of Board Members
15. Rules of Procedure

16. Minutes of January, 2010 Organizational Meeting
17. Affidavit of Publication of Public Hearing
18. (A) Minutes of April 6, 2010 Board Meeting adopting Bond Resolution  
(B) Excerpt of Minutes of June 18, 2010 Board Meeting appointing Acting Chairman
19. Order of the Public Service Commission of West Virginia approving Refunding of the Series 1998 A Bonds
20. Order of the Public Service Commission of West Virginia approving Rates

### **III. DOCUMENTS DELIVERED BY ISSUER**

21. General Certificate of Issuer
22. Tax Certificate
23. Underwriter's Certificate
24. Registrar's Certificate
25. CPA Certificate

### **VI. DOCUMENTS RELATING TO PAYING AGENT, ESCROW AGENT AND REGISTRAR**

26. Direction to Authenticate
27. Registrar Agreement
28. Acceptance of Appointment of Depository Bank
29. Joint Certificate of Issuer and Escrow Agent

### **VI. OPINIONS**

30. (A) Opinion of Spilman Thomas & Battle, PLLC, as Bond Counsel and Refunding of Series 1998 A Bonds  
(B) Reliance Opinion addressed to the West Virginia Water Development Authority  
(C) Reliance Opinion addressed to the West Virginia Municipal Bond Commission

- 31. (A) Supplemental Opinion of Spilman Thomas & Battle, PLLC  
(B) OID Opinion of Spilman Thomas & Battle, PLLC
- 32. Opinion of James V. Kelsh, Esquire, Counsel to Issuer
- 33. Opinion of Steptoe & Johnson, PLLC, Counsel to Underwriter
- 34. Opinion of Jackson Kelly PLLC, Counsel to Paying Agent and Escrow Agent

**VII. DOCUMENTS RELATING TO SERIES 1998 A BONDS REFUNDING**

- 35. Letter of Instructions to Registrar regarding Notice of Redemption to Bondholders
- 36. Letter of Instructions to Paying Agent regarding Redemption of Series 1998 A Bonds
- 37. Escrow Agreement
- 38. Certificate of Paying Agent as to Discharge of Series 1998 A Bonds
- 39. Verification Report of Herman & Cormany, CPAs, A.C.

**VIII. MISCELANEOUS**

- 40. DTC Blanket Letter of Representations
- 41. [Reserved]
- 42. [Reserved]
- 43. [Reserved]
- 44. Final Pricing Numbers
- 45. Closing Memorandum/Wiring Instructions
- 46. [Reserved]
- 47. Consent of West Virginia Water Development Authority
- 48. West Virginia Municipal Bond Commission New Issue Report

## ARTICLE 13A

### PUBLIC SERVICE DISTRICTS

#### Section

- 16-13A-1. Legislative findings.
- 16-13A-1a. Jurisdiction of the public service commission.
- 16-13A-1b. County commissions to develop plan to create, consolidate, merge, expand or dissolve public service districts.
- 16-13A-1c. General purpose of districts.
- 16-13A-2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the Secretary of State.
- 16-13A-3. District to be a public corporation and political subdivision; powers thereof; public service boards.
- 16-13A-3a. Removal of members of public service board.
- 16-13A-4. Board chairman; members' compensation; procedure; district name.
- 16-13A-5. General manager of board.
- 16-13A-6. Employees of board.
- 16-13A-7. Acquisition and operation of district properties.
- 16-13A-8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers.
- 16-13A-9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees.
- 16-13A-9a. Limitations with respect to foreclosure.
- 16-13A-10. Budget.
- 16-13A-11. Accounts; audit.
- 16-13A-12. Disbursement of district funds.
- 16-13A-13. Revenue bonds.
- 16-13A-14. Items included in cost of properties.
- 16-13A-15. Bonds may be secured by trust indenture.
- 16-13A-16. Sinking fund for revenue bonds.
- 16-13A-17. Collection, etc., of revenues and enforcement of covenants; default; suit, etc., by bondholder or trustee to compel performance of duties; appointment and powers of receiver.
- 16-13A-18. Operating contracts.
- 16-13A-18a. Sale, lease or rental of water, sewer, stormwater or gas system by district; distribution of proceeds.
- 16-13A-19. Statutory mortgage lien created; foreclosure thereof.
- 16-13A-20. Refunding revenue bonds.
- 16-13A-21. Complete authority of article; liberal construction; district to be public instrumentality; tax exemption.
- 16-13A-22. Validation of prior acts and proceedings of county courts for creation of districts, inclusion of additional territory, and appointment of members of district boards.
- 16-13A-23. Validation of acts and proceedings of public service boards.
- 16-13A-24. Acceptance of loans, grants or temporary advances.
- 16-13A-25. Borrowing and bond issuance; procedure.

#### § 16-13A-1. Legislative findings

The Legislature of the state of West Virginia hereby determines and finds that the present system of public service districts within the state has provided a valuable service at a reasonable cost to persons who would otherwise have been



unable to obtain public utility services. To further this effort, and to insure that all areas of the state are benefiting from the availability of public service district utility services and to further correct areas with health hazards, the Legislature concludes that it is in the best interest of the public to implement better management of public service district resources by expanding the ability and the authority of the public service commission to assist public service districts by offering advice and assistance in operational, financial and regulatory affairs.

In addition to the expanded powers which shall be given to the public service commission, the Legislature also concludes that it is in the best interest of the public for each county commission to review current technology available and consider consolidating existing public service districts where it is feasible and will not result in the interference with existing bond instruments. Further, if such consolidation is not feasible, the Legislature finds that it is in the best interest of the public for each county commission to review current technology available and consider consolidating or centralizing the management of public service districts within its county or multi-county area to achieve efficiency of operations. The Legislature also finds that additional guidelines should be imposed on the creation of new public service districts and that county commissions shall dissolve inactive public service districts as hereinafter provided. The Legislature also finds that the public service commission shall promulgate rules and regulations to effectuate the expanded powers given to the commission relating to public service districts.

Acts 1953, c. 147; Acts 1980, c. 60; Acts 1986, c. 81.

#### Cross References

County courts, authority to make grants for water and sewer systems, see § 7-1-3t.

#### Administrative Code References

Sewer utilities regulations, see W. Va. Code St. R. § 150-5-1 et seq.

#### Library References

Counties ⇨18.  
Municipal Corporations ⇨5, 6.  
Public Utilities ⇨145.  
Westlaw Topic Nos. 104, 268, 317A.

C.J.S. Counties § 31.  
C.J.S. Municipal Corporations § 11.  
C.J.S. Public Utilities §§ 26 to 32, 159 to 167, 169 to 171, 177 to 178.

#### Notes of Decisions

In general 2  
Admissibility of evidence 8  
Construction and application 3  
Costs 9  
Creation and enforcement of liens 7  
Eminent domain powers 4  
Property of public service district 5  
Rates and charges for service 6

#### Validity 1

##### 1. Validity

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying water and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6.

§ 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes  $\Rightarrow$  123(3); Statutes  $\Rightarrow$  123(5)

Statute authorizing creation of public service districts violates no provision of State Constitution, nor is it violative of Fourteenth Amendment to United States Constitution. Act 1953, c. 147; U.S.C.A.Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law  $\Rightarrow$  4056; Municipal Corporations  $\Rightarrow$  4

In statute authorizing creation of public service districts, provision for delinquent fixed rates and charges for services rendered to be lien on premises served was not unconstitutional as depriving owners of property without due process of law or as violating Fourteenth Amendment of United States Constitution or applicable provisions of State Constitution. Acts 1953, c. 147, § 1 et seq.; Const. art. 3, §§ 9, 10; U.S.C.A.Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law  $\Rightarrow$  4416; Municipal Corporations  $\Rightarrow$  408(1)

Statute authorizing creation of public service districts does not, in so far as it requires County Court to define territory to be included in public service district and appoint a board to govern same in first instance, involve unconstitutional delegation of judicial functions to the County Court, Acts 1953, c. 147; Const. art. 8, § 24. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law  $\Rightarrow$  2355; Municipal Corporations  $\Rightarrow$  4

## 2. In general

A public service district may be created for the purpose of furnishing water or sewer services, or both water and sewer services. Code, 16-13A-1. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations  $\Rightarrow$  5

Creation and operation of water or sanitary districts or authorities by issuance of revenue bonds payable from revenues are authorized. Code, 16-13A-1 et seq. State ex rel. Appalachian Power Co. v. Gainer, 1965, 143 S.E.2d 351, 149 W.Va. 740. Health  $\Rightarrow$  369; Waters And Water Courses  $\Rightarrow$  183.5

A county court may use Federal Revenue Sharing Funds for ordinary and necessary maintenance and operating expenses for sewage disposal, sanitation, and pollution abatement, and ordinary and necessary capital expenditures authorized by law but may not use such funds for matching purposes under any other federal-aid program. 55 W.Va. Op.Atty.Gen. 116 (June 27, 1973) 1973 WL 159152.

## 3. Construction and application

A public service district is a public corporation and does not come within constitutional

provision which in substance provides that all corporations shall be created by general laws and which is applicable to private corporations. Acts 1953, c. 147, § 1 et seq.; Const. art. 11, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes  $\Rightarrow$  80(3)

## 4. Eminent domain powers

Where notice, hearing and order with respect to creation of public service district considered only the question of furnishing water, such district was created only for the purposes of furnishing water services, and had no power to condemn real estate for sewerage facilities. Code, 16-13A-1, 16-13A-2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Eminent Domain  $\Rightarrow$  32

Condemnation by public service district is not a taking of private property for private use in violation of applicable constitutional provision. Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Eminent Domain  $\Rightarrow$  13

## 5. Property of public service district

Property of public service district is public property used for public purposes, and, under constitutional provision that public property shall be exempt from taxation, statute authorizing creation of public service districts and granting tax exemption was not violative of constitutional provision requiring that taxation be equal and uniform throughout state. Acts 1953, c. 147, § 1 et seq.; Const. art. 10, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Taxation  $\Rightarrow$  2289

## 6. Rates and charges for service

Relief under Federal Securities Act of 1933 was not adequate or sufficient remedy for relief sought by corporations holding sewer revenue bonds of public service district in mandamus proceeding to compel district to establish and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariff reflecting such charges with Public Service Commission, and any relief afforded under provisions of federal statute could not supersede relief which could be granted in mandamus proceeding. Securities Act of 1933, § 1 et seq., 15 U.S.C.A. § 77a et seq.; Code, 16-13A-1 et seq. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus  $\Rightarrow$  3(8)

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operation-

## § 16-13A-1

Note 6

al and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16-13A-1 et seq., 16-13A-9, 16-13A-10, 16-13A-13, 16-13A-17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⇨ 110

It was ministerial duty of chairman of public service board of public service district to sign revenue bonds and to assist in effectuating their issuance, and in view of constitutionality of statute authorizing creation of the public service board, relator's showing of legal right to require performance of such duty, was sufficient and writ of mandamus would issue. Acts 1953, c. 147. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Mandamus ⇨ 103

### 7. Creation and enforcement of liens

Public service district's failure to docket notice of lien prior to date purchaser recorded deed of trust prevented district from enforcing sewer lien against purchaser. Code, 16-13A-9, 38-10C-1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Municipal Corporations ⇨ 712(7)

Public service district liens must be docketed to be enforceable against purchaser of property for valuable consideration, without notice. Code, 16-13A-9, 38-10C-1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Gas ⇨ 14.6; Municipal Corporations ⇨ 712(7); Waters And Water Courses ⇨ 203(14)

## PUBLIC HEALTH

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⇨ 222; Municipal Corporations ⇨ 225(1)

### 8. Admissibility of evidence

Extrinsic evidence relating to background and negotiations with regard to forming a public service district were not admissible in regard to construction of a contract for furnishing of water, where contract language was clear and unambiguous that district was to furnish water as customer should require. Berkeley County Public Service Dist. v. Vitro Corp. of America, 1968, 162 S.E.2d 189, 152 W.Va. 252. Evidence ⇨ 448

### 9. Costs

Costs of proceeding whereby constitutionality of statute authorizing creation of public service districts was tested would not be taxed against defendant who was chairman of public service board and who, honestly and in good faith, though mistakenly, endeavored to perform his duty in refusing to sign revenue bonds, and each litigant would pay his own costs. Acts 1953, c. 147. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Mandamus ⇨ 190

## § 16-13A-1a. Jurisdiction of the public service commission

The jurisdiction of the public service commission relating to public service districts shall be expanded to include the following powers and such powers shall be in addition to all other powers of the public service commission set forth in this code:

(a) To study, modify, approve, deny or amend the plans created under section one-b of this article for consolidation or merger of public service districts and their facilities, personnel or administration;

(b) To petition the appropriate circuit court for the removal of a public service district board member or members; and

(c) To create by general order a separate division within the public service commission to provide assistance to public service districts in technological, operational, financial and regulatory matters.

Acts 1986, c. 81.

### Library References

Public Utilities ⇨ 145.

Westlaw Topic No. 317A.



C.J.S. Public Utilities §§ 26 to 32, 159 to 167,  
169 to 171, 177 to 178.

## Notes of Decisions

## In general 1

## 1. In general

Statute clearly and unambiguously gives Public Service Commission (PSC) power to reduce or increase utility rates whenever it finds that existing rate is unjust, unreasonable, insufficient, or unjustly discriminatory or otherwise in violation of any provision of legislation governing Commission. Code, 24-1-1 et seq., 24-2-3. State ex rel. Water Development Authority v. Northern Wayne County Public Service Dist.,

1995, 464 S.E.2d 777, 195 W.Va. 135. Public Utilities ⇐ 123

Legislature sought to establish in Public Service Commission (PSC) governmental entity which would protect public from unfair rates and practices by public utilities and also ensure that public utilities are given competitive return for their stockholders. Code, 24-2-3. State ex rel. Water Development Authority v. Northern Wayne County Public Service Dist., 1995, 464 S.E.2d 777, 195 W.Va. 135. Public Utilities ⇐ 123; Public Utilities ⇐ 129

**§ 16-13A-1b. County commissions to develop plan to create, consolidate, merge, expand or dissolve public service districts**

Each county commission shall conduct a study of all public service districts which have their principal offices within its county and shall develop a plan relating to the creation, consolidation, merger, expansion or dissolution of such districts or the consolidation or merger of management and administrative services and personnel and shall present such plan to the public service commission for approval, disapproval, or modification: Provided, That within ninety days of the effective date of this section each county commission in this state shall elect either to perform its own study or request that the public service commission perform such study. Each county commission electing to perform its own study has one year from the date of election to present such plan to the public service commission. For each county wherein the county commission elects not to perform its own study, the public service commission shall conduct a study of such county. The public service commission shall establish a schedule for such studies upon a priority basis, with those counties perceived to have the greatest need of creation or consolidation of public service districts receiving the highest priority. In establishing the priority schedule, and in the performance of each study, the bureau of public health and the division of environmental protection shall offer their assistance and cooperation to the public service commission: Upon completion by the public service commission of each study, it shall be submitted to the appropriate county commission for review and comment. Each county commission has six months in which to review the study conducted by the public service commission, suggest changes or modifications thereof, and present such plan to the public service commission. All county plans, whether conducted by the county commission itself or submitted as a result of a public service commission study, shall, by order, be approved, disapproved or modified by the public service commission in accordance with rules promulgated by the public service commission and such order shall be implemented by the county commission.

Acts 1986, c. 81; Acts 1994, c. 61.

Cross References

Public Service Commission, participation in studies, see § 24-1-1b.

Library References

Counties § 18, 47.  
Westlaw Topic No. 104.  
C.J.S. Counties §§ 31, 70 to 73.

§ 16-13A-1c. General purpose of districts

Any territory constituting the whole or any part of one or more counties in the state so situated that the construction or acquisition by purchase or otherwise and the maintenance, operation, improvement and extension of properties supplying water, sewerage or stormwater services or gas distribution services or all of these within such territory, will be conducive to the preservation of the public health, comfort and convenience of such area, may be constituted a public service district under and in the manner provided by this article. The words "public service properties," when used in this article, shall mean and include any facility used or to be used for or in connection with: (1) The diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses (herein sometimes referred to as "water facilities"); (2) the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (herein sometimes referred to as "sewer facilities" or "landfills"); (3) the distribution or the furnishing of natural gas to the public for industrial, public, private or other uses (herein sometimes referred to as "gas utilities or gas system"); or (4) the collection, control or disposal of stormwater (herein sometimes referred to as "stormwater system" or "stormwater systems"), or (5) the management, operation, maintenance and control of stormwater and stormwater systems (herein sometimes referred to as "stormwater management program" or "stormwater management programs"). As used in this article "stormwater system" or "stormwater systems" means a stormwater system in its entirety or any integral part thereof used to collect, control or dispose of stormwater, and includes all facilities, structures and natural water courses used for collecting and conducting stormwater to, through and from drainage areas to the points of final outlet including, but not limited to, any and all of the following: Inlets, conduits, outlets, channels, ponds, drainage easements, water quality facilities, catch basins, ditches, streams, gulches, flumes, culverts, siphons, retention or detention basins, dams, floodwalls, pipes, flood control systems, levies and pumping stations: Provided, That the term "stormwater system" or "stormwater systems" does not include highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways. As used in this article "stormwater management program" or "stormwater management programs" means those activities associated with the management, operation, maintenance and control of stormwater and stormwater systems, and includes, but is not limited to, public education, stormwater and surface runoff water quality improvement, mapping, planning, flood control, inspection, enforce-

ment and any other activities required by state and federal law: Provided, however, That the term "stormwater management program" or "stormwater management programs" does not include those activities associated with the management, operation, maintenance and control of highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways without the express agreement of the commissioner of highways.

Acts 1986, c. 81; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

#### Library References

Counties §18.	C.J.S. Counties § 31.
Gas §12.	C.J.S. Gas §§ 43 to 45.
Municipal Corporations §5, 6.	C.J.S. Municipal Corporations § 11.
Waters and Water Courses §183.5.	C.J.S. Waters §§ 483, 543 to 581.
Westlaw Topic Nos. 104, 190, 268, 405.	

**§ 16-13A-2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the Secretary of State**

(a) The county commission of any county may propose the creation, enlargement, reduction, merger, dissolution, or consolidation of a public service district by any of the following methods: (1) On its own motion by order duly adopted, (2) upon the recommendation of the Public Service Commission, or (3) by petition of twenty-five percent of the registered voters who reside within the limits of the proposed public service district within one or more counties. The petition shall contain a description, including metes and bounds, sufficient to identify the territory to be embraced therein and the name of such proposed district: *Provided*, That after the effective date of this section, no new public service district shall be created, enlarged, reduced, merged, dissolved or consolidated under this section without the written consent and approval of the Public Service Commission, which approval and consent shall be in accordance with rules promulgated by the Public Service Commission and may only be requested after consent is given by the appropriate county commission or commissions pursuant to this section. Any territory may be included regardless of whether or not the territory includes one or more cities, incorporated towns or other municipal corporations which own and operate any public service properties and regardless of whether or not it includes one or more cities, incorporated towns or other municipal corporations being served by privately owned public service properties: *Provided, however*, That the same territory shall not be included within the boundaries of more than one public service district except where the territory or part thereof is included within the boundaries of a separate public service district organized to supply water, sewerage services, stormwater services or gas facilities not being furnished within such territory or part thereof: *Provided further*, That no city, incorporated town or other municipal corporation shall be included within the boundaries of the proposed district

except upon the adoption of a resolution of the governing body of the city, incorporated town or other municipal corporation consenting.

(b) The petition shall be filed in the office of the clerk of the county commission of the county in which the territory to constitute the proposed district is situated, and if the territory is situated in more than one county, then the petition shall be filed in the office of the clerk of the county commission of the county in which the major portion of the territory extends, and a copy thereof (omitting signatures) shall be filed with each of the clerks of the county commission of the other county or counties into which the territory extends. The clerk of the county commission receiving such petition shall present it to the county commission of the county at the first regular meeting after the filing or at a special meeting called for the consideration thereof.

(c) When the county commission of any county enters an order on its own motion proposing the creation, enlargement, reduction, merger, dissolution or consolidation of a public service district, as aforesaid, or when a petition for the creation is presented, as aforesaid, the county commission shall at the same session fix a date of hearing in the county on the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed public service district, which date so fixed shall be not more than forty days nor less than twenty days from the date of the action. Within ten days of fixing the date of hearing, the county commission shall provide the Executive Secretary of the Public Service Commission with a copy of the order or petition and notification of the time and place of the hearing to be held by the county commission. If the territory proposed to be included is situated in more than one county, the county commission, when fixing a date of hearing, shall provide for notifying the county commission and clerk thereof of each of the other counties into which the territory extends of the date so fixed. The clerk of the county commission of each county in which any territory in the proposed public service district is located shall cause notice of the hearing and the time and place thereof, and setting forth a description of all of the territory proposed to be included therein to be given by publication as a Class I legal advertisement in compliance with the provisions of article three, chapter fifty-nine of this code, and the publication area for the publication shall be by publication in each city, incorporated town or municipal corporation if available in each county in which any territory in the proposed public service district is located. The publication shall be at least ten days prior to the hearing.

(d) In all cases where proceedings for the creation, enlargement, reduction, merger, dissolution or consolidation of the public service districts are initiated by petition as aforesaid, the person filing the petition shall advance or satisfactorily indemnify the payment of the cost and expenses of publishing the hearing notice, and otherwise the costs and expenses of the notice shall be paid in the first instance by the county commission out of contingent funds or any other funds available or made available for that purpose. In addition to the notice required herein to be published, there shall also be posted in at least five conspicuous places in the proposed public service district, a notice containing:

the same information as is contained in the published notice. The posted notices shall be posted not less than ten days before the hearing.

(e) All persons residing in or owning or having any interest in property in the proposed public service district shall have an opportunity to be heard for and against its creation, enlargement, reduction, merger, dissolution or consolidation. At the hearing the county commission before which the hearing is conducted shall consider and determine the feasibility of the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed district. If the county commission determines that the construction or acquisition by purchase or otherwise and maintenance, operation, improvement and extension of public service properties by the public service district will be conducive to the preservation of public health, comfort and convenience of such area, the county commission shall by order create, enlarge, reduce, merge, dissolve or consolidate such public service district. If the county commission, after due consideration, determines that the proposed district will not be conducive to the preservation of public health, comfort or convenience of the area or that the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed district as set forth and described in the petition or order is not feasible, it may refuse to enter an order creating the district or it may enter an order amending the description of the proposed district and create, enlarge, reduce, merge, dissolve or consolidate the district as amended.

(f) If the county commission determines that any other public service district or districts can adequately serve the area of the proposed public service district, whether by enlargement, reduction, merger, dissolution or consolidation, it shall refuse to enter the order, but shall enter an order creating, enlarging, reducing, merging, dissolving or consolidating the area with an existing public service district, in accordance with rules adopted by the Public Service Commission for such purpose: *Provided*, That no enlargement of a public service district may occur if the present or proposed physical facilities of the public service district are determined by the appropriate county commission or the Public Service Commission to be inadequate to provide such enlarged service. The clerk of the county commission of each county into which any part of such district extends shall retain in his office an authentic copy of the order creating, enlarging, reducing, merging, dissolving or consolidating the district: *Provided*, however, That within ten days after the entry of an order creating, enlarging, reducing, merging, dissolving or consolidating a district, such order must be filed for review and approval by the Public Service Commission. The Public Service Commission may provide a hearing in the affected county on the matter and may approve, reject or modify the order of the county commission if it finds it is in the best interests of the public to do so. The Public Service Commission shall adopt rules relating to such filings and the approval, disapproval or modification of county commission orders for creating, enlarging, merging, dissolving or consolidating districts. The provisions of this section shall not apply to the implementation by a county commission of an order issued by the Public Service Commission pursuant to this section and section one-b, of this article.

(g) The county commission may, if in its discretion it deems it necessary, feasible and proper, enlarge the district to include additional areas, reduce the area of the district, where facilities, equipment, service or materials have not been extended, or dissolve the district if inactive or create or consolidate two or more such districts. If consolidation of districts is not feasible, the county commission may consolidate and centralize management and administration of districts within its county or multi-county area to achieve efficiency of operations: *Provided*, That where the county commission determines on its own motion by order entered of record, or there is a petition to enlarge the district, merge and consolidate districts, or the management and administration thereof, reduce the area of the district or dissolve the district if inactive, all of the applicable provisions of this article providing for hearing, notice of hearing and approval by the Public Service Commission shall apply. The Commission shall at all times attempt to bring about the enlargement or merger of existing public service districts in order to provide increased services and to eliminate the need for creation of new public service districts in those areas which are not currently serviced by a public service district: *Provided, however*, That where two or more public service districts are consolidated pursuant to this section, any rate differentials may continue for the period of bonded indebtedness incurred prior to consolidation. The districts may not enter into any agreement, contract or covenant that infringes upon, impairs, abridges or usurps the duties, rights or powers of the county commission, as set forth in this article, or conflicts with any provision of this article.

(h) A list of all districts and their current board members shall be filed by the county commission with the Secretary of State and the Public Service Commission by the first day of July of each year.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1967, c. 105; Acts 1975, c. 140; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1995, c. 125, eff. 90 days after March 11, 1995; Acts 2002, c. 272, eff. 90 days after March 9, 2002; Acts 2005, c. 195, eff. 90 days after April 9, 2005.

#### Library References

Counties Ⓒ47.

Municipal Corporations Ⓒ6.

Westlaw Topic Nos. 104, 268.

C.J.S. Counties §§ 70 to 73.

C.J.S. Municipal Corporations § 11.

#### Notes of Decisions

Costs 6  
Creation of public service districts 2  
District boundaries 3  
Notice of hearing 4  
Number of voters within district 5  
Referendum 7  
Validity 1

#### 1. Validity

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying wa-

ter and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6, § 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes Ⓒ 123(3); Statutes Ⓒ 123(5).

Statute authorizing creation of public service districts does not, in so far as it requires County Court to define territory to be included in public service district and appoint a board to govern same in first instance, involve unconstitutional delegation of judicial functions to the County Court, Acts 1953, c. 147; Const. art. 8, § 24.

State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇨ 2355; Municipal Corporations ⇨ 4

## 2. Creation of public service districts

Where notice, hearing and order with respect to creation of public service district considered only the question of furnishing water, such district was created only for the purposes of furnishing water services, and had no power to condemn real estate for sewerage facilities. Code, 16-13A-1, 16-13A-2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Eminent Domain ⇨ 32

Where public service district was created for purpose of furnishing water services, county court had authority to add sewerage services to the facilities of the district under appropriate proceedings. Code, 16-13A-2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⇨ 270

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⇨ 222; Municipal Corporations ⇨ 225(1)

## 3. District boundaries

Public service district statute that allowed county commission to designate district's boundaries did not also empower commission to make service territories exclusive, displacing Public Service Commission's (PSC) authority to determine service rights. Code, 16-13A-2. Berkeley County Public Service Sewer Dist. v. West Virginia Public Service Com'n, 1998, 512 S.E.2d 201, 204 W.Va. 279. Counties ⇨ 47

## 4. Notice of hearing

Provisions of statute, with respect to creation of public service districts, which relate to the filing of the petition or motion of the county court, the description of the territory to be embraced, and like provisions are mandatory; but, despite use of the word "shall," the require-

ments for posting and publication of notice and the time of setting the hearing are directory and require only substantial compliance. Code, 16-13A-2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⇨ 12(3); Municipal Corporations ⇨ 12(6)

Though record with respect to creation of public service district was silent with respect to posting of notice of hearing and as to whether hearing was not more than 40 nor less than 20 days after his fixing the date for hearing as provided by statute, there was substantial compliance with statute where hearing was set some time prior to the date of the hearing, there was publication of notice more than ten days prior to the date of the hearing as required, and there were no objections either before, during or after the hearing to the creation of the district or to the procedures employed in its creation. Code, 16-13A-2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⇨ 12(6)

## 5. Number of voters within district

Public service district was not void because there were not 100 legal voters owning property within the district. Code, 16-13A-2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⇨ 6

## 6. Costs

Costs of proceeding whereby constitutionality of statute authorizing creation of public service districts was tested would not be taxed against defendant who was chairman of public service board and who, honestly and in good faith, though mistakenly, endeavored to perform his duty in refusing to sign revenue bonds, and each litigant would pay his own costs. Acts 1953, c. 147. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Mandamus ⇨ 190

## 7. Referendum

A public service district, once created by county court, not subject to referendum on issue to continue or be abolished. 52 W.Va. Op. Atty. Gen. 33 (August 11, 1966) 1966 WL 87428.

# § 16-13A-3. District to be a public corporation and political subdivision; powers thereof; public service boards

From and after the date of the adoption of the order creating any public service district, it is a public corporation and political subdivision of the state, but without any power to levy or collect ad valorem taxes. Each district may acquire, own and hold property, both real and personal, in its corporate name, and may sue, may be sued, may adopt an official seal and may enter into

contracts necessary or incidental to its purposes, including contracts with any city, incorporated town or other municipal corporation located within or without its boundaries for furnishing wholesale supply of water for the distribution system of the city, town or other municipal corporation, or for furnishing stormwater services for the city, town or other municipal corporation, and contract for the operation, maintenance, servicing, repair and extension of any properties owned by it or for the operation and improvement or extension of the district of all or any part of the existing municipally owned public service properties of any city, incorporated town or other municipal corporation included within the district: Provided, That no contract shall extend beyond a maximum of forty years, but provisions may be included therein for a renewal or successive renewals thereof and shall conform to and comply with the rights of the holders of any outstanding bonds issued by the municipalities for the public service properties.

The powers of each public service district shall be vested in and exercised by a public service board consisting of not less than three members, who shall be persons residing within the district, who possess certain educational, business or work experience which will be conducive to operating a public service district. Each board member shall, within six months of taking office, successfully complete the training program to be established and administered by the public service commission in conjunction with the division of environmental protection and the bureau of public health. Board members shall not be or become pecuniarily interested, directly or indirectly, in the proceeds of any contract or service, or in furnishing any supplies or materials to the district nor shall a former board member be hired by the district in any capacity within a minimum of twelve months after board member's term has expired or such board member has resigned from the district board. The members shall be appointed in the following manner:

Each city, incorporated town or other municipal corporation having a population of more than three thousand but less than eighteen thousand is entitled to appoint one member of the board, and each city, incorporated town or other municipal corporation having a population in excess of eighteen thousand shall be entitled to appoint one additional member of the board for each additional eighteen thousand population. The members of the board representing such cities, incorporated towns or other municipal corporations shall be residents thereof and shall be appointed by a resolution of the governing bodies thereof and upon the filing of a certified copy or copies of the resolution or resolutions in the office of the clerk of the county commission which entered the order creating the district, the persons so appointed become members of the board without any further act or proceedings. If the number of members of the board so appointed by the governing bodies of cities, incorporated towns or other municipal corporations included in the district equals or exceeds three, then no further members shall be appointed to the board and the members so appointed are the board of the district except in cases of merger or consolidation where the number of board members may equal five.



If no city, incorporated town or other municipal corporation having a population of more than three thousand is included within the district, then the county commission which entered the order creating the district shall appoint three members of the board, who are persons residing within the district and residing within the state of West Virginia, which three members become members of the board of the district without any further act or proceedings except in cases of merger or consolidation where the number of board members may equal five.

If the number of members of the board appointed by the governing bodies of cities, incorporated towns or other municipal corporations included within the district is less than three, then the county commission which entered the order creating the district shall appoint such additional member or members of the board, who are persons residing within the district, as is necessary to make the number of members of the board equal three except in cases of merger or consolidation where the number of board members may equal five, and the member or members appointed by the governing bodies of the cities, incorporated towns or other municipal corporations included within the district and the additional member or members appointed by the county commission as aforesaid, are the board of the district. A person may serve as a member of the board in one or more public service districts.

The population of any city, incorporated town or other municipal corporation, for the purpose of determining the number of members of the board, if any, to be appointed by the governing body or bodies thereof, is the population stated for such city, incorporated town or other municipal corporation in the last official federal census.

Notwithstanding any provision of this code to the contrary, whenever a district is consolidated or merged pursuant to section two of this article, the terms of office of the existing board members shall end on the effective date of the merger or consolidation. The county commission shall appoint a new board according to rules promulgated by the public service commission. Whenever districts are consolidated or merged no provision of this code prohibits the expansion of membership on the new board to five.

The respective terms of office of the members of the first board shall be fixed by the county commission and shall be as equally divided as may be, that is approximately one third of the members for a term of two years, a like number for a term of four years, the term of the remaining member or members for six years, from the first day of the month during which the appointments are made. The first members of the board appointed as aforesaid shall meet at the office of the clerk of the county commission which entered the order creating the district as soon as practicable after the appointments and shall qualify by taking an oath of office: Provided, That any member or members of the board may be removed from their respective office as provided in section three-a of this article.

Any vacancy shall be filled for the unexpired term within thirty days, otherwise successor members of the board shall be appointed for terms of six

years and the terms of office shall continue until successors have been appointed and qualified. All successor members shall be appointed in the same manner as the member succeeded was appointed. The district shall provide to the public service commission, within thirty days of the appointment, the following information: The new board member's name, home address, home and office phone numbers, date of appointment, length of term, who the new member replaces and if the new appointee has previously served on the board. The public service commission shall notify each new board member of the legal obligation to attend training as prescribed in this section.

The board shall organize within thirty days following the first appointments and annually thereafter at its first meeting after the first day of January of each year by selecting one of its members to serve as chair and by appointing a secretary and a treasurer who need not be members of the board. The secretary shall keep a record of all proceedings of the board which shall be available for inspection as other public records. Duplicate records shall be filed with the county commission and shall include the minutes of all board meetings. The treasurer is lawful custodian of all funds of the public service district and shall pay same out on orders authorized or approved by the board. The secretary and treasurer shall perform other duties appertaining to the affairs of the district and shall receive salaries as shall be prescribed by the board. The treasurer shall furnish bond in an amount to be fixed by the board for the use and benefit of the district.

The members of the board, and the chair, secretary and treasurer thereof, shall make available to the county commission, at all times, all of its books and records pertaining to the district's operation, finances and affairs, for inspection and audit. The board shall meet at least monthly.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1971, c. 72; Acts 1981, c. 124; Acts 1983, c. 166; Acts 1986, c. 81; Acts 1994, c. 61; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

#### Law Review and Journal Commentaries

The Scope of Title Examination in West Virginia: Can Reasonable Minds Differ? John W. Fisher, II, 98 W. Va. L. Rev. 449 (1996).

"Yes, West Virginia, there is a special priority for the purchase money mortgage:" The recog-

nition of purchase money mortgage priority in West Virginia. Abraham M. Ashton, 107 W. Va. L. Rev. 525 (2005).

#### Library References

Counties Ⓒ=18.  
Municipal Corporations Ⓒ=6.  
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 31.  
C.J.S. Municipal Corporations § 11.

#### Notes of Decisions

In general 1  
Criminal responsibility of members 5  
Ministerial officers, generally 3  
Removal of members 4  
Sale of water 6  
Standard of care 2

Tort Claims Act 7

1. In general

Board members of the Mt. Zion Public Service District cannot be compensated for performing the duties of treasurer and/or secretary

for the Mt. Zion Public Service District; furthermore, a board member may not be compensated for reading meters for the Mt. Zion Public Service District. 63 W.Va. Op. Atty. Gen. 2 (July 14, 1988) 1988 WL 483329.

## 2. Standard of care

Public service district owes duty of reasonable care to avoid damage to property of others with respect to maintenance of water lines. *McCloud v. Salt Rock Water Public Service Dist.*, 2000, 533 S.E.2d 679, 207 W.Va. 453. *Waters And Water Courses* ⇨ 205

## 3. Ministerial officers, generally

Public policy of West Virginia, as evidenced by statute making it unlawful for county or district board member or officer to be or become pecuniarily interested in proceeds of any contract or service over which he might have any voice, influence, or control, is not directed against actual fraud or collusion but is for purpose of preventing those acts and eliminating any opportunity therefor, and purpose of statute is to protect public funds and give official recognition to fact that person cannot properly represent public in transacting business with himself. Code, 61-10-15. *State v. Neary*, 1987, 365 S.E.2d 395, 179 W.Va. 115. *Courts* ⇨ 55; *Judges* ⇨ 21

## 4. Removal of members

Public Service District board member can be removed by majority vote of registered voters. 51 W.Va. Op. Atty. Gen. 564 (November 10, 1965) 1965 WL 92492.

## 5. Criminal responsibility of members

County commissioner's conviction for being or becoming pecuniarily interested in contract over which he might have some voice or influence was supported by evidence of his continued performance of contract maintenance work for public service district after his election to commission. Code, 61-10-15. *State v. Neary*, 1987, 365 S.E.2d 395, 179 W.Va. 115. *Counties* ⇨ 60

## 6. Sale of water

Public Service Districts may sell, at wholesale, bulk water to other municipal corporations. 51 W.Va. Op. Atty. Gen. 739 (March 16, 1966) 1966 WL 87469.

## 7. Tort Claims Act

Tort Claims Act's protection extended to public service districts, under the Act's definition of political subdivision, which included the term "public service districts," despite general authorization for public service districts to "sue and be sued," in the Public Health statutes. *Zirkle v. Elkins Road Public Service Dist.*, 2007, 655 S.E.2d 155. *Waters And Water Courses* ⇨ 183.5

# § 16-13A-3a. Removal of members of public service board

The county commission or the public service commission or any other appointive body creating or establishing a public service district under the provisions of this article, or any group of five percent or more of the customers of a public service district, may petition the circuit court of the county in which the district maintains its principal office for the removal of any member of the governing board thereof for consistent violations of any provisions of this article, for reasonable cause which includes, but is not limited to, a continued failure to attend meetings of the board, failure to diligently pursue the objectives for which the district was created, or failure to perform any other duty either prescribed by law or required by a final order of the public service commission or for any malfeasance in public office. Any board member charged with a violation under this section who offers a successful defense against such charges shall be reimbursed for the reasonable costs of such defense from district revenues. Such costs shall be considered as costs associated with rate determination by the public service district and the public service commission. If the circuit court judge hearing the petition for removal finds that the charges are frivolous in nature, the judge may assess all or part of the court costs, plus the reasonable costs associated with the board member's defense, against the party or parties who petitioned the court for the board member's removal.

Acts 1963, c. 75; Acts 1971, c. 72; Acts 1981, c. 124; Acts 1986, c. 81.

Counties ⇐ 45.  
Public Utilities ⇐ 145.  
Westlaw Topic Nos. 104, 317A.

Library References

C.J.S. Counties § 67.  
C.J.S. Public Utilities §§ 26 to 32, 159 to 167,  
169 to 171, 177 to 178.

Notes of Decisions

Criminal responsibility of members 1  
Ministerial officers, generally 2  
Sufficiency of evidence 3

1. Criminal responsibility of members

Upon becoming member of county commission, person who is pecuniarily interested in proceeds of any contract or service with public service district violates criminal conflict of interest statute; by virtue of that position, that person has some voice, influence, or control over continuation of contract. Code, 61-10-15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Counties ⇐ 60

2. Ministerial officers, generally

Public policy of West Virginia, as evidenced by statute making it unlawful for county or district board member or officer to be or become pecuniarily interested in proceeds of any contract or service over which he might have any voice, influence, or control, is not directed against actual fraud or collusion but is for purpose of preventing those acts and eliminating any opportunity therefor, and purpose of statute

is to protect public funds and give official recognition to fact that person cannot properly represent public in transacting business with himself. Code, 61-10-15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Courts ⇐ 55; Judges ⇐ 21

3. Sufficiency of evidence

County commissioner's conviction for being or becoming pecuniarily interested in contract over which he might have some voice or influence was supported by evidence of his continued performance of contract maintenance work for public service district after his election to commission. Code, 61-10-15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Counties ⇐ 60

Conflict of interest indictment against county commissioner was sufficient even though it did not characterize commissioner's interest as pecuniary, and commissioner was not entitled to bill of particulars. Code, 61-10-15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Counties ⇐ 60

§ 16-13A-4. Board chairman; members' compensation; procedure; district name

(a) The chairman shall preside at all meetings of the board and may vote as any other member of the board. If the chairman is absent from any meeting, the remaining members may select a temporary chairman and if the member selected as chairman resigns as such or ceases for any reason to be a member of the board, the board shall select one of its members as chairman to serve until the next annual organization meeting.

(b) Salaries of the board members are:

(1) For districts with fewer than six hundred customers, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with six hundred customers or more but fewer than two thousand customers, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with two thousand customers or more, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five

dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with four thousand or more customers, up to one hundred fifty dollars per attendance at regular monthly meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served to the Public Service Commission beginning on the first day of July, one thousand nine hundred eighty-six, and continue each fiscal year thereafter.

(c) Public service districts selling water to other water utilities for resale may adopt the following salaries for its board members:

(1) For districts with annual revenues of less than fifty thousand dollars, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with annual revenues of fifty thousand dollars or more, but less than two hundred fifty thousand dollars, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with annual revenues of two hundred fifty thousand dollars or more, but less than five hundred thousand dollars, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with annual revenues of five hundred thousand dollars or more, up to one hundred fifty dollars per attendance at regular monthly meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served and its annual revenue to the public service commission beginning on the first day of July, two thousand, and continue each fiscal year thereafter.

(d) Board members may be reimbursed for all reasonable and necessary expenses actually incurred in the performance of their duties as provided for by the rules of the board.

(e) The board shall by resolution determine its own rules of procedure, fix the time and place of its meetings and the manner in which special meetings may be called. Public notice of meetings shall be given in accordance with section three, article nine-a, chapter six of this code. Emergency meetings may be called as provided for by said section. A majority of the members constituting the board also constitute a quorum to do business.

(f) The members of the board are not personally liable or responsible for any obligations of the district or the board, but are answerable only for willful

misconduct in the performance of their duties. The county commission which created a district or county commissions if more than one created the district may, upon written request of the district, adopt an order changing the official name of a public service district: *Provided*, That such name change will not be effective until approved by the public service commission of West Virginia and the owners of any bonds and notes issued by the district, if any, shall have consented, in writing, to the name change. If a district includes territory located in more than one county, the county commission or county commissions changing the name of the district shall provide any county commission into which the district also extends with a certified copy of the order changing the name of the district. The official name of any district created under the provisions of this article may contain the name or names of any city, incorporated town or other municipal corporation included therein or the name of any county or counties in which it is located.

Acts 1953, c. 147; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2000, c. 199, eff. 90 days after March 11, 2000; Acts 2005, c. 196, eff. 90 days after April 8, 2005.

#### Library References

Counties Ⓒ68, 87.  
Municipal Corporations Ⓒ161.  
Westlaw Topic Nos. 104, 268.

C.J.S. Counties §§ 107 to 118, 128.  
C.J.S. Municipal Corporations §§ 372 to 390.

#### Notes of Decisions

##### In general 1

##### 1. In general

Board members of the Mt. Zion Public Service District cannot be compensated for per-

forming the duties of treasurer and/or secretary for the Mt. Zion Public Service District; furthermore, a board member may not be compensated for reading meters for the Mt. Zion Public Service District. 63 W.Va. Op.Atty.Gen. 2 (July 14, 1988) 1988 WL 483329.

#### § 16-13A-5. General manager of board

The board may employ a general manager to serve a term of not more than five years and until his or her successor is employed, and his or her compensation shall be fixed by resolution of the board. Such general manager shall devote all or the required portion of his or her time to the affairs of the district and may employ, discharge and fix the compensation of all employees of the district, except as in this article otherwise provided, and he or she shall perform and exercise such other powers and duties as may be conferred upon him or her by the board.

Such general manager shall be chosen without regard to his or her political affiliations and upon the sole basis of his or her administrative and technical qualifications to manage public service properties and affairs of the district and he or she may be discharged only upon the affirmative vote of two thirds of the board. Such general manager need not be a resident of the district at the time he or she is chosen. Such general manager may not be a member of the board but shall be an employee of the board.

The board of any public service district which purchases water, sewer or stormwater service from a municipal water, sewer or stormwater system or

another public service district may, as an alternative to hiring its own general manager, elect to permit the general manager of the municipal water, sewer or stormwater system or public service district from which such water, sewer or stormwater service is purchased provide professional management to the district, if the appropriate municipality or public service board agrees to provide such assistance. The general manager shall receive reasonable compensation for such service.

Acts 1953, c. 147; Acts 1981, c. 124; Acts 1986, c. 81; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

#### Library References

Counties Ⓒ65, 68.

Municipal Corporations Ⓒ149, 161.

Westlaw Topic Nos. 104, 268.

C.J.S. Counties §§ 101 to 103, 107 to 118.

C.J.S. Municipal Corporations §§ 361 to 366, 368, 372 to 390.

### § 16-13A-6. Employees of board

The board may in its discretion from time to time by resolution passed by a majority vote provide for the employment of an attorney, fiscal agent, one or more engineers and such other employees as the board may determine necessary and expedient. The board shall in and by such resolution fix the term of employment and compensation and prescribe the duties to be performed by such employees.

Acts 1953, c. 147; Acts 1981, c. 124.

#### Library References

Counties Ⓒ65, 68, 87.

Municipal Corporations Ⓒ149, 161, 170.

Westlaw Topic Nos. 104, 268.

C.J.S. Counties §§ 101 to 103, 107 to 118, 128.

C.J.S. Municipal Corporations §§ 361 to 366, 368, 372 to 405.

### § 16-13A-7. Acquisition and operation of district properties

The board of such districts shall have the supervision and control of all public service properties acquired or constructed by the district, and shall have the power, and it shall be its duty, to maintain, operate, extend and improve the same, including, but not limited to, those activities necessary to comply with all federal and state requirements, including water quality improvement activities. All contracts involving the expenditure by the district of more than fifteen thousand dollars for construction work or for the purchase of equipment and improvements, extensions or replacements, shall be entered into only after notice inviting bids shall have been published as a Class I legal advertisement in compliance with the provision of article three, chapter fifty-nine of this code, and the publication area for such publication shall be as specified in section two of this article in the county or counties in which the district is located. The publication shall not be less than ten days prior to the making of any such contract. To the extent allowed by law, in-state contractors shall be given first priority in awarding public service district contracts. It shall be the duty of the board to ensure that local in-state labor shall be utilized to the greatest extent

possible when hiring laborers for public service district construction or maintenance repair jobs. It shall further be the duty of the board to encourage contractors to use American made products in their construction to the extent possible. Any obligations incurred of any kind or character shall not in any event constitute or be deemed an indebtedness within the meaning of any of the provisions or limitations of the constitution, but all such obligations shall be payable solely and only out of revenues derived from the operation of the public service properties of the district or from proceeds of bonds issued as hereinafter provided. No continuing contract for the purchase of materials or supplies, or for furnishing the district with electrical energy or power shall be entered into for a longer period than fifteen years.

Acts 1953, c. 147; Acts 1967, c. 105; Acts 1981, c. 124; Acts 1982, c. 24; Acts 1986, c. 81; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Counties §107.  
Municipal Corporations §711.  
Public Utilities §114.  
Westlaw Topic Nos. 104, 268, 317A.

C.J.S. Counties § 147.  
C.J.S. Municipal Corporations § 1535.  
C.J.S. Public Utilities §§ 5 to 9, 202 to 207.

**§ 16-13A-8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers**

The board may acquire any publicly or privately owned public service properties located within the boundaries of the district regardless of whether or not all or any part of such properties are located within the corporate limits of any city, incorporated town or other municipal corporation included within the district and may purchase and acquire all rights and franchises and any and all property within or outside the district necessary or incidental to the purpose of the district.

The board may construct any public service properties within or outside the district necessary or incidental to its purposes and each such district may acquire, construct, maintain and operate any such public service properties within the corporate limits of any city, incorporated town or other municipal corporation included within the district or in any unincorporated territory within ten miles of the territorial boundaries of the district: Provided, That if any incorporated city, town or other municipal corporation included within the district owns and operates either water facilities, sewer facilities, stormwater facilities or gas facilities or all of these, then the district may not acquire, construct, establish, improve or extend any public service properties of the same kind within such city, incorporated towns or other municipal corporations or the adjacent unincorporated territory served by such cities, incorporated towns or other municipal corporations, except upon the approval of the public service commission, the consent of such cities, incorporated towns or other municipal corporations and in conformity and compliance with the rights of the holders of any revenue bonds or obligations theretofore issued by such cities, incorporated towns or other municipal corporations then outstanding



and in accordance with the ordinance, resolution or other proceedings which authorize the issuance of such revenue bonds or obligations.

Whenever such district has constructed, acquired or established water facilities, sewer facilities, a stormwater system, stormwater management program or gas facilities for water, sewer, stormwater or gas services within any city, incorporated town or other municipal corporation included within a district, then such city, incorporated town or other municipal corporation may not thereafter construct, acquire or establish any facilities of the same kind within such city, incorporated town or other municipal corporation without the consent of such district.

For the purpose of acquiring any public service properties or lands, rights or easements deemed necessary or incidental for the purposes of the district, each such district has the right of eminent domain to the same extent and to be exercised in the same manner as now or hereafter provided by law for such right of eminent domain by cities, incorporated towns and other municipal corporations: Provided, That the power of eminent domain provided in this section does not extend to highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways without the express agreement of the commissioner of highways: Provided, however, That such board may not acquire all or any substantial part of a privately owned waterworks system unless and until authorized so to do by the public service commission of West Virginia, and that this section shall not be construed to authorize any district to acquire through condemnation proceedings either in whole or substantial part an existing privately owned waterworks plant or system or gas facilities located in or furnishing water or gas service within such district or extensions made or to be made by it in territory contiguous to such existing plant or system, nor may any such board construct or extend its public service properties to supply its services into areas served by or in competition with existing waterworks or gas facilities or extensions made or to be made in territory contiguous to such existing plant or system by the owner thereof.

Acts 1953, c. 147; Acts 1980, c. 60; Acts 1981, c. 124; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

#### Library References

Counties ⇨103, 104.

Eminent Domain ⇨6, 16.

Municipal Corporations ⇨221, 224.

Westlaw Topic Nos. 104, 148, 268.

C.J.S. Counties §§ 143 to 144, 147.

C.J.S. Municipal Corporations §§ 873 to 880.

C.J.S. Property § 17.

#### Notes of Decisions

In general 2

Connections with sewers or drains 6

Eminent domain powers 3

Environmental assessment 5

Public corporation 7

Validity 1

Valuation of property 4

#### 1. Validity

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying wa-

## § 16-13A-8

### Note 1

ter and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6, § 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⇨ 123(3); Statutes ⇨ 123(5)

Property of public service district is public property used for public purposes, and, under constitutional provision that public property shall be exempt from taxation, statute authorizing creation of public service districts and granting tax exemption was not violative of constitutional provision requiring that taxation be equal and uniform throughout state. Acts 1953, c. 147, § 1 et seq.; Const. art. 10, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Taxation ⇨ 2289

### 2. In general

Statute providing that private property may be taken or damaged for a number of specified purposes amounts to legislative declaration of public purposes within meaning of laws, and it is a judicial question whether such declaration is consonant with organic law. Acts 1949, c. 59; Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇨ 2510

### 3. Eminent domain powers

Although construction of new facility proposed by utility will often require taking of private property through eminent domain, absent express statutory language Public Service Commission (PSC) has no duty to review and decide issues that are inherent in eminent domain proceeding. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Public Utilities ⇨ 114

Statute providing that private property may be taken or damaged for a number of specified purposes is consonant with organic law and is constitutional. Acts 1949, c. 59; Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Eminent Domain ⇨ 3

### 4. Valuation of property

Although landowner is competent to give estimate of value of property in eminent domain proceeding, that valuation is not conclusive; government agency may rely on appraisal report concerning estimated value of property to

## PUBLIC HEALTH

be taken. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Evidence ⇨ 568(4)

### 5. Environmental assessment

Whether construction of sewage lagoons would constitute "nuisance" does not defeat Public Service Commission's (PSC) jurisdiction to issue certificate of public convenience and necessity; while PSC may assess environmental considerations, chief inquiry by PSC is need of public for project. Code, 24-2-11. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Municipal Corporations ⇨ 708

### 6. Connections with sewers or drains

City, rather than sewer and water districts, was entitled to provide sewer and water services to newly developed tract that was within districts' boundaries, but was annexed to city, where such services were not previously furnished to tract. Code, 16-13A-8. Berkeley County Public Service Sewer Dist. v. West Virginia Public Service Com'n, 1998, 512 S.E.2d 201, 204 W.Va. 279. Municipal Corporations ⇨ 712(1); Waters And Water Courses ⇨ 201

If a tract of real estate located within a public service district has been annexed into a municipality, then, as between the municipality and the public service district, the municipality has the superior right to extend water and/or sewer service which were not being previously furnished to the tract by the public service district, and under those circumstances, a public service district would need the consent of the municipality and the Public Service Commission (PSC) in order to provide such service. Code, 16-13A-8. Berkeley County Public Service Sewer Dist. v. West Virginia Public Service Com'n, 1998, 512 S.E.2d 201, 204 W.Va. 279. Municipal Corporations ⇨ 712(1); Waters And Water Courses ⇨ 201; Waters And Water Courses ⇨ 202

### 7. Public corporation

A public service district is a public corporation and does not come within constitutional provision which in substance provides that all corporations shall be created by general laws and which is applicable to private corporations. Acts 1953, c. 147, § 1 et seq.; Const. art. 11, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⇨ 80(3)

## § 16-13A-9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees

(a)(1) The board may make, enact and enforce all needful rules in connection with the acquisition, construction, improvement, extension, management,

maintenance, operation, care, protection and the use of any public service properties owned or controlled by the district. The board shall establish rates, fees and charges for the services and facilities it furnishes, which shall be sufficient at all times, notwithstanding the provisions of any other law or laws, to pay the cost of maintenance, operation and depreciation of the public service properties and principal of and interest on all bonds issued, other obligations incurred under the provisions of this article and all reserve or other payments provided for in the proceedings which authorized the issuance of any bonds under this article. The schedule of the rates, fees and charges may be based upon:

- (A) The consumption of water or gas on premises connected with the facilities, taking into consideration domestic, commercial, industrial and public use of water and gas;
- (B) The number and kind of fixtures connected with the facilities located on the various premises;
- (C) The number of persons served by the facilities;
- (D) Any combination of paragraphs (A), (B) and (C) of this subdivision; or
- (E) May be determined on any other basis or classification which the board may determine to be fair and reasonable, taking into consideration the location of the premises served and the nature and extent of the services and facilities furnished. However, no rates, fees or charges for stormwater services may be assessed against highways, road and drainage easements or stormwater facilities constructed, owned or operated by the West Virginia division of highways.

(2) Where water, sewer, stormwater or gas services, or any combination thereof, are all furnished to any premises, the schedule of charges may be billed as a single amount for the aggregate of the charges. The board shall require all users of services and facilities furnished by the district to designate on every application for service whether the applicant is a tenant or an owner of the premises to be served. If the applicant is a tenant, he or she shall state the name and address of the owner or owners of the premises to be served by the district. Notwithstanding the provisions of section eight, article three, chapter twenty-four of this code to the contrary, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage of the applicant's specific customer class or fifty dollars, with the district to secure the payment of service rates, fees and charges in the event they become delinquent as provided in this section. If a district provides both water and sewer service, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage for water service or fifty dollars and the greater of a sum equal to two twelfths of the average annual usage for wastewater service of the applicant's specific customer class or fifty dollars. In any case where a deposit is forfeited to pay service rates, fees and charges which were delinquent at the time of disconnection or termination of service, no reconnection or reinstatement of service may be made by the district until another deposit equal to the greater of a sum equal to two twelfths of the average usage for the applicant's specific customer class or fifty dollars

there is gravity flow or transportation by any other methods approved by the division of health, including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code and the houses, dwellings and buildings can be adequately served by the sewer facilities of the district and it is declared that the mandatory use of the sewer facilities provided for in this paragraph is necessary and essential for the health and welfare of the inhabitants and residents of the districts and of the state. If the public service district requires the property owner to connect with the sewer facilities even when sewage from dwellings may not flow to the main line by gravity and the property owner incurs costs for any changes in the existing dwellings' exterior plumbing in order to connect to the main sewer line, the public service district board shall authorize the district to pay all reasonable costs for the changes in the exterior plumbing, including, but not limited to, installation, operation, maintenance and purchase of a pump or any other method approved by the division of health. Maintenance and operation costs for the extra installation should be reflected in the users charge for approval of the public service commission. The circuit court shall adjudicate the merits of the petition by summary hearing to be held not later than thirty days after service of petition to the appropriate owners, tenants or occupants.

(d) Whenever any district has made available sewer facilities to any owner, tenant or occupant of any house, dwelling or building located near the sewer facility and the engineer for the district has certified that the sewer facilities are available to and are adequate to serve the owner, tenant or occupant and sewage will flow by gravity or be transported by other methods approved by the division of health from the house, dwelling or building into the sewer facilities, the district may charge, and the owner, tenant or occupant shall pay the rates and charges for services established under this article only after thirty-day notice of the availability of the facilities has been received by the owner, tenant or occupant. Rates and charges for sewage services shall be based upon actual water consumption or the average monthly water consumption based upon the owner's, tenant's or occupant's specific customer class.

(e) Whenever any district has made available a stormwater system to any owner, tenant or occupant of any real property located near the stormwater system and where stormwater from real property affects or drains into the stormwater system, it is hereby found, determined and declared that the owner, tenant or occupant is being served by the stormwater system and it is further hereby found, determined and declared that the mandatory use of the stormwater system is necessary and essential for the health and welfare of the inhabitants and residents of the district and of the state. The district may charge, and the owner, tenant or occupant shall pay the rates, fees and charges for stormwater services established under this article only after thirty-day notice of the availability of the stormwater system has been received by the owner.

(f) All delinquent fees, rates and charges of the district for either water facilities, sewer facilities, gas facilities or stormwater systems or stormwater management programs are liens on the premises served of equal dignity, rank and priority with the lien on the premises of state, county, school and municipi-

has been remitted to the district. After twelve months of prompt payment history, the district shall return the deposit to the customer or credit the customer's account at a rate as the public service commission may prescribe. *Provided*, That where the customer is a tenant, the district is not required to return the deposit until the time the tenant discontinues service with the district. Whenever any rates, fees, rentals or charges for services or facilities furnished remain unpaid for a period of twenty days after the same become due and payable, the user of the services and facilities provided is delinquent and the user is liable at law until all rates, fees and charges are fully paid. The board may, under reasonable rules promulgated by the public service commission, shut off and discontinue water or gas services to all delinquent users of either water or gas facilities, or both, ten days after the water or gas services become delinquent.

(b) In the event that any publicly or privately owned utility, city, incorporated town, other municipal corporation or other public service district included within the district owns and operates separately either water facilities or sewer facilities, and the district owns and operates the other kind of facilities either water or sewer, as the case may be, then the district and the publicly or privately owned utility, city, incorporated town or other municipal corporation or other public service district shall covenant and contract with each other to shut off and discontinue the supplying of water service for the nonpayment of sewer service fees and charges: *Provided*, That any contracts entered into by a public service district pursuant to this section shall be submitted to the public service commission for approval. Any public service district providing water and sewer service to its customers has the right to terminate water service for delinquency in payment of either water or sewer bills. Where one public service district is providing sewer service and another public service district or a municipality included within the boundaries of the sewer district is providing water service, and the district providing sewer service experiences a delinquency in payment, the district or the municipality included within the boundaries of the sewer district that is providing water service, upon the request of the district providing sewer service to the delinquent account, shall terminate its water service to the customer having the delinquent sewer account: *Provided, however*, That any termination of water service must comply with all rules and orders of the public service commission.

(c) Any district furnishing sewer facilities within the district may require, or may by petition to the circuit court of the county in which the property is located, compel or may require the division of health to compel all owners, tenants or occupants of any houses, dwellings and buildings located near any sewer facilities where sewage will flow by gravity or be transported by other methods approved by the division of health, including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code, from the houses, dwellings or buildings into the sewer facilities, to connect with and use the sewer facilities and to cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from the houses, dwellings and buildings where

pal taxes. In addition to the other remedies provided in this section, public service districts are granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of delinquent water, sewer, stormwater or gas bills. If the district collects the delinquent account, plus reasonable costs, from its customer or other responsible party, the district shall pay to the magistrate the normal filing fee and reasonable costs which were previously deferred. In addition, each public service district may exchange with other public service districts a list of delinquent accounts: *Provided*, That an owner of real property may not be held liable for the delinquent rates or charges for services or facilities of a tenant, nor may any lien attach to real property for the reason of delinquent rates or charges for services or facilities of a tenant of the real property, unless the owner has contracted directly with the public service district to purchase the services or facilities.

(g) Anything in this section to the contrary notwithstanding, any establishment, as defined in section three, article eleven, chapter twenty-two, now or hereafter operating its own sewage disposal system pursuant to a permit issued by the division of environmental protection, as prescribed by section eleven, article eleven, chapter twenty-two of this code, is exempt from the provisions of this section.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1989, c. 174; Acts 1994, c. 61; Acts 2002, c. 272, eff. 90 days after March 9, 2002; Acts 2003, c. 183, eff. 90 days after March 8, 2003.

#### Law Review and Journal Commentaries

The Scope of Title Examination in West Virginia: Can Reasonable Minds Differ? John W. Fisher, II, 98 W. Va. L. Rev. 449 (1996).  
"Yes, West Virginia, there is a special priority for the purchase money mortgage." The recog-

nition of purchase money mortgage priority in West Virginia. Abraham M. Ashton, 107 W. Va. L. Rev. 525 (2005).

#### Library References

Gas §14.6.  
Municipal Corporations §712.  
Waters and Water Courses §203.  
Westlaw Topic Nos. 190, 268, 405.

C.J.S. Gas §§ 64, 84 to 85.  
C.J.S. Municipal Corporations § 1535.  
C.J.S. Waters §§ 483, 666 to 732.

#### Notes of Decisions

Notice of availability of sewer service 5  
Public service district liens 3  
Rates and charges for service 4  
Takings 2  
Validity 1

applicable provisions of State Constitution. Acts 1953, c. 147, § 1 et seq.; Const. art. 3, §§ 9, 10; U.S.C.A. Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W. Va. 233. Constitutional Law § 4416; Municipal Corporations § 408(1)

#### 1. Validity

In statute authorizing creation of public service districts, provision for delinquent fixed rates and charges for services rendered to be lien on premises served was not unconstitutional as depriving owners of property without due process of law or as violating Fourteenth Amendment of United States Constitution or

#### 2. Takings

Public service district's requiring property owner to connect onto its sewer system and to abandon private sewer system located on property was not a taking of private property without just compensation. Const. Art. 3, § 9; Code, 16-13A-9; U.S.C.A. Const. Amend. 5. Kingmill Valley Public Service Dist. v. River-

view Estates Mobile Home Park, Inc., 1989, 386 S.E.2d 483, 182 W.Va. 116. Eminent Domain § 2.18

Statute providing that private property may be taken or damaged for a number of specified purposes amounts to legislative declaration of public purposes within meaning of laws, and it is a judicial question whether such declaration is consonant with organic law. Acts 1949, c. 59; Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law § 2510

### 3. Public service district liens

Public service district liens must be docketed to be enforceable against purchaser of property for valuable consideration, without notice. Code, 16-13A-9, 38-10C-1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Gas § 14.6; Municipal Corporations § 712(7); Waters And Water Courses § 203(14)

Public service district's failure to docket notice of lien prior to date purchaser recorded deed of trust prevented district from enforcing sewer lien against purchaser. Code, 16-13A-9, 38-10C-1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Municipal Corporations § 712(7)

If owner, tenant or occupant of garage apartment did not receive notice that public service district's sewer facilities were available for apartment, district would have been without statutory authority to impose charges and a lien against apartment for sewer services, though the apartment was on a lot containing another dwelling which was properly subject to sewer service charges. Code, 16-13A-9, 16-13A-21. Rhodes v. Malden Public Service Dist., 1983, 301 S.E.2d 601, 171 W.Va. 645. Municipal Corporations § 712(7)

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal

Corporations § 222; Municipal Corporations § 225(1)

### 4. Rates and charges for service

Statute clearly and unambiguously gives Public Service Commission (PSC) power to reduce or increase utility rates whenever it finds that existing rate is unjust, unreasonable, insufficient, or unjustly discriminatory or otherwise in violation of any provision of legislation governing Commission. Code, 24-1-1 et seq., 24-2-3. State ex rel. Water Development Authority v. Northern Wayne County Public Service Dist., 1995, 464 S.E.2d 777, 195 W.Va. 135. Public Utilities § 123

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16-13A-1 et seq., 16-13A-9, 16-13A-10, 16-13A-13, 16-13A-17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus § 110

Duty imposed on public service district, a public corporation and political subdivision of state, to establish rates and charges sufficient to pay cost of maintenance, operation and depreciation of properties of district and principal of and interest on all bonds issued by district is nondiscretionary duty which may be enforced by mandamus. Code, 16-13A-9. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus § 80

### 5. Notice of availability of sewer service

Issue of fact as to whether owner or tenant had received notice that public service district's sewer services were available for garage apartment, so as to allow imposition of sewer service charges and a lien against apartment, was not appropriate for resolution in mandamus proceeding. Code, 16-13A-9, 16-13A-21. Rhodes v. Malden Public Service Dist., 1983, 301 S.E.2d 601, 171 W.Va. 645. Mandamus § 174

## § 16-13A-9a. Limitations with respect to foreclosure

No public service district shall foreclose upon the premises served by such district for delinquent fees, rates or charges for which a lien is authorized by sections nine or nineteen of this article except through the bringing and maintenance of a civil action for such purpose brought in the circuit court of the county wherein the district lies. In every such action, the court shall be required to make a finding based upon the evidence and facts presented that

## § 16-13A-9a

## PUBLIC HEALTH

the district prior to the bringing of such action had exhausted all other remedies for the collection of debts with respect to such delinquencies. In no event shall foreclosure procedures be instituted by any such district or on its behalf unless such delinquency had been in existence or continued for a period of two years from the date of the first such delinquency for which foreclosure is being sought.

Acts 1982, c. 74.

### Library References

Gas § 14.6.  
Municipal Corporations § 712.  
Waters and Water Courses § 203.  
Westlaw Topic Nos. 190, 268, 405.

C.J.S. Gas §§ 64, 84 to 85.  
C.J.S. Municipal Corporations § 1535.  
C.J.S. Waters §§ 483, 666 to 732.

## § 16-13A-10. Budget

The board shall establish the beginning and ending of its fiscal year, which period shall constitute its budget year, and at least thirty days prior to the beginning of the first full fiscal year after the creation of the district and annually thereafter the general manager shall prepare and submit to the board a tentative budget which shall include all operation and maintenance expenses, payments to a capital replacement account and bond payment schedules for the ensuing fiscal year. Such tentative budget shall be considered by the board, and, subject to any revisions or amendments that may be determined by the board, shall be adopted as the budget for the ensuing fiscal year. Upon adoption of the budget, a copy of the budget shall be forwarded to the county commission. No expenditures for operation and maintenance expenses in excess of the budget shall be made during such fiscal year unless unanimously authorized and directed by the board.

Acts 1953, c. 147; Acts 1981, c. 124.

### Library References

Counties § 154.5.  
Municipal Corporations § 879.  
Westlaw Topic Nos. 104, 268.

C.J.S. Municipal Corporations §§ 1621, 1622.

### Notes of Decisions

#### In general 1

##### 1. In general

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered

by district sufficient to provide for all operation, al and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16-13A-1 et seq., 16-13A-9, 16-13A-10, 16-13A-13, 16-13A-17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus § 110

## § 16-13A-11. Accounts; audit

The general manager, under direction of the board, shall install and maintain a proper system of accounts, in accordance with all rules, regulations or orders



pertaining thereto by the public service commission, showing receipts from operation and application of the same, and the board shall at least once a year cause such accounts to be properly audited: Provided, That such audit may be any audit by an independent public accountant completed within one year of the time required for the submission of the report: Provided, however, That if the district is required to have its books, records and accounts audited annually by an independent certified public accountant as a result of any covenant in any board resolution or bond instrument, a copy of such audit may be submitted in satisfaction of the requirements of this section, and is hereby found, declared and determined to be sufficient to satisfy the requirements of article nine, chapter six of this code pertaining to the annual audit report by the state tax commission. A copy of the audit shall be forwarded within thirty days of submission to the county commission and to the public service commission.

The treasurer of each public service district shall keep and preserve all financial records of the public service district for ten years, and shall at all times have such records readily available for public inspection. At the end of his term of office, the treasurer of each public service district shall promptly deliver all financial records of the public service district to his successor in office. Any treasurer of a public service district who knowingly or willfully violates any provision of this section is guilty of a misdemeanor, and shall be fined not less than one hundred dollars nor more than five hundred dollars or imprisoned in the county jail not more than ten days, or both.

Acts 1953, c. 147; Acts 1981, c. 124; Acts 1986, c. 81.

#### Library References

Counties ⇨154.5.

Municipal Corporations ⇨879.

Westlaw Topic Nos. 104, 268.

C.J.S. Municipal Corporations §§ 1621 to 1622.

### § 16-13A-12. Disbursement of district funds

No money may be paid out by a district except upon an order signed by the chairman and secretary of such board, or such other person or persons authorized by the chairman or secretary, as the case may be, to sign such orders on their behalf. Each order for the payment of money shall specify the purposes for which the amount thereof is to be paid, with sufficient clearness to indicate the purpose for which the order is issued, and there shall be endorsed thereon the name of the particular fund out of which it is payable and it shall be payable from the fund constituted for such purpose, and no other. All such orders shall be reflected in the minutes of the next meeting of the board.

Acts 1953, c. 147; Acts 1981, c. 124.

#### Library References

Counties ⇨158.

Municipal Corporations ⇨883.

Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 198.

C.J.S. Municipal Corporations §§ 1626, 1635.

§ 16-13A-13. Revenue bonds

For constructing or acquiring any public service properties for the authorized purposes of the district, or necessary or incidental thereto, and for constructing improvements and extensions thereto, and also for reimbursing or paying the costs and expenses of creating the district, the board of any such district is hereby authorized to borrow money from time to time and in evidence thereof issue the bonds of such district, payable solely from the revenues derived from the operation of the public service properties under control of the district. Such bonds may be issued in one or more series, may bear such date or dates, may mature at such time or times not exceeding forty years from their respective dates, may bear interest at such rate or rates not exceeding eighteen percent per annum payable at such times, may be in such form, may carry such registration privileges, may be executed in such manner, may be payable at such place or places, may be subject to such terms of redemption with or without premium, may be declared or become due before maturity date thereof, may be authenticated in any manner, and upon compliance with such conditions, and may contain such terms and covenants as may be provided by resolution or resolutions of the board. Notwithstanding the form or tenor thereof, and in the absence of any express recital on the face thereof, that the bond is nonnegotiable, all such bonds shall be, and shall be treated as, negotiable instruments for all purposes. Bonds bearing the signatures of officers in office on the date of the signing thereof shall be valid and binding for all purposes notwithstanding that before the delivery thereof any or all of the persons whose signatures appear thereon shall have ceased to be such officers. Notwithstanding the requirements or provisions of any other law, any such bonds may be negotiated or sold in such manner and at such time or times as is found by the board to be most advantageous, and all such bonds may be sold at such price that the interest cost of the proceeds therefrom does not exceed nineteen percent per annum, based on the average maturity of such bonds and computed according to standard tables of bond values. Any resolution or resolutions providing for the issuance of such bonds may contain such covenants and restrictions upon the issuance of additional bonds thereafter as may be deemed necessary or advisable for the assurance of the payment of the bonds thereby authorized.

Acts 1953, c. 147; Acts 1970, c. 11; Acts 1970, c. 12; Acts 1970, 1st Ex. Sess., c. 2; Acts 1980, c. 33; Acts 1981, 1st Ex. Sess., c. 2; Acts 1989, c. 174.

Library References

Counties §174.

Municipal Corporations §911.

Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 218.

C.J.S. Municipal Corporations §§ 1647 to 1649.

## Notes of Decisions

In general 1

## 1. In general

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such

charges with Public Service Commission. Code, 16-13A-1 et seq., 16-13A-9, 16-13A-10, 16-13A-13, 16-13A-17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⇐ 110

Two acts amending same Code section in same manner except as to maximum interest rate of bonds, enacted on same date at same legislative session, and impossible to determine which passed after the other, that having lower maximum interest rate will govern. 53 W.Va. Op. Atty. Gen. 418 (April 8, 1970) 1970 WL 116579.

## § 16-13A-14. Items included in cost of properties

The cost of any public service properties acquired under the provisions of this article shall be deemed to include the cost of the acquisition or construction thereof, the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; for stormwater systems and associated stormwater management programs, those activities which include, but are not limited to, water quality improvement activities necessary to comply with all federal and state requirements; interest upon bonds prior to and during construction or acquisition and for six months after completion of construction or of acquisition of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of cost and of revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the construction or acquisition of the properties and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof.

Acts 1953, c. 147; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

## Library References

Counties ⇐ 154.5.

Municipal Corporations ⇐ 879.

Westlaw Topic Nos. 104, 268.

C.J.S. Municipal Corporations §§ 1621 to 1622.

## § 16-13A-15. Bonds may be secured by trust indenture

In the discretion and at the option of the board such bonds may be secured by a trust indenture by and between the district and a corporate trustee, which may be a trust company or bank having powers of a trust company within or without the State of West Virginia, but no such trust indenture shall convey, mortgage or create any lien upon the public service properties or any part thereof. The resolution authorizing the bonds and fixing the details thereof may provide that such trust indenture may contain such provisions for protecting and enforcing the rights and remedies of bondholders as may be reasonable

## § 16-13A-15

## PUBLIC HEALTH

and proper, not in violation of law, including covenants setting forth the duties of the district and the members of its board and officers in relation to the construction or acquisition of public service properties and the improvement, extension, operation, repair, maintenance and insurance thereof, and the custody, safeguarding and application of all moneys, and may provide that all or any part of the construction work shall be contracted for, constructed and paid for, under the supervision and approval of consulting engineers employed or designated by the board and satisfactory to the original bond purchasers, their successors, assignees or nominees, who may be given the right to require the security given by contractors and by any depository of the proceeds of bonds or revenues of the public service properties or other money pertaining thereto be satisfactory to such purchasers, their successors, assignees or nominees. Such indenture may set forth the rights and remedies of the bondholders and such trustee.

Acts 1953, c. 147.

### Library References

Counties Ⓒ183.

Municipal Corporations Ⓒ950(15).

Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 222.

C.J.S. Municipal Corporations §§ 1708 to 1709.

### United States Code Annotated

Trust Indenture Act of 1939, see 15 U.S.C.A. § 77aaa et seq.

## § 16-13A-16. Sinking fund for revenue bonds

At or before the time of the issuance of any bonds under this article the board shall by resolution or in the trust indenture provide for the creation of a sinking fund and for monthly payments into such fund from the revenues of the public service properties operated by the district such sums in excess of the cost of maintenance and operation of such properties as will be sufficient to pay the accruing interest and retire the bonds at or before the time each will respectively become due and to establish and maintain reserves therefor. All sums which are or should be, in accordance with such provisions, paid into such sinking fund shall be used solely for payment of interest and for the retirement of such bonds at or prior to maturity as may be provided or required by such resolutions.

Acts 1953, c. 147.

### Library References

Counties Ⓒ186.5.

Municipal Corporations Ⓒ951.

Westlaw Topic Nos. 104, 268.

C.J.S. Municipal Corporations §§ 1704 to 1705.

**§ 16-13A-17. Collection, etc., of revenues and enforcement of covenants; default; suit, etc., by bondholder or trustee to compel performance of duties; appointment and powers of receiver**

The board of any such district shall have power to insert enforceable provisions in any resolution authorizing the issuance of bonds relating to the collection, custody and application of revenues of the district from the operation of the public service properties under its control and to the enforcement of the covenants and undertakings of the district. In the event there shall be default in the sinking fund provisions aforesaid or in the payment of the principal or interest on any of such bonds or, in the event the district or its board or any of its officers, agents or employees, shall fail or refuse to comply with the provisions of this article, or shall default in any covenant or agreement made with respect to the issuance of such bonds or offered as security therefor, then any holder or holders of such bonds and any such trustee under the trust indenture, if there be one, shall have the right by suit, action, mandamus or other proceeding instituted in the circuit court for the county or any of the counties wherein the district extends, or in any other court of competent jurisdiction, to enforce and compel performance of all duties required by this article or undertaken by the district in connection with the issuance of such bonds, and upon application of any such holder or holders, or such trustee, such court shall, upon proof of such defaults, appoint a receiver for the affairs of the district and its properties, which receiver so appointed shall forthwith directly, or by his agents and attorneys, enter into and upon and take possession of the affairs of the district and each and every part thereof, and hold, use, operate, manage and control the same, and in the name of the district exercise all of the rights and powers of such district as shall be deemed expedient, and such receiver shall have power and authority to collect and receive all revenues and apply same in such manner as the court shall direct. Whenever the default causing the appointment of such receiver shall have been cleared and fully discharged and all other defaults shall have been cured, the court may in its discretion and after such notice and hearing as it deems reasonable and proper direct the receiver to surrender possession of the affairs of the district to its board. Such receiver so appointed shall have no power to sell, assign, mortgage, or otherwise dispose of any assets of the district except as hereinbefore provided.

Acts 1953, c. 147.

**Library References**

Counties § 188.

Municipal Corporations § 937, 955.

Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 226.

C.J.S. Municipal Corporations §§ 1707, 1711.

In general 1

Notes of Decisions

1. In general

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered

by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16-13A-1 et seq., 16-13A-9, 16-13A-10, 16-13A-13, 16-13A-17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus 110

§ 16-13A-18. Operating contracts

The board may enter into contracts or agreements with any persons, firms or corporations for the operation and management of the public service properties within the district, or any part thereof, for such period of time and under such terms and conditions as shall be agreed upon between the board and such persons, firms or corporations. The board shall have power to provide in the resolution authorizing the issuance of bonds, or in any trust indenture securing such bonds, that such contracts or agreements shall be valid and binding upon the district as long as any of said bonds, or interest thereon, are outstanding and unpaid.

Acts 1953, c. 147.

Library References

Counties 114.  
Municipal Corporations 328.  
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 161.  
C.J.S. Municipal Corporations §§ 1027 to 1029.

§ 16-13A-18a. Sale, lease or rental of water, sewer, stormwater or gas system by district; distribution of proceeds

In any case where a public service district owns a water, sewer, stormwater or gas system, and a majority of not less than sixty percent of the members of the public service board thereof deem it for the best interests of the district to sell, lease or rent such water, sewer, stormwater or gas system to any municipality or privately-owned water, sewer, stormwater or gas system, or to any water, sewer, stormwater or gas system owned by an adjacent public service district, the board may so sell, lease or rent such water, sewer, stormwater or gas system upon such terms and conditions as said board, in its discretion, considers in the best interests of the district: Provided, That such sale, leasing or rental may be made only upon: (1) The publication of notice of a hearing before the board of the public service district, as a Class I legal advertisement in compliance with the provisions of article three, chapter fifty-nine of this code, in a newspaper published and of general circulation in the county or counties wherein the district is located, such publication to be made not earlier than twenty days and not later than seven days prior to the hearing; (2) approval by the county commission or commissions of the county or counties in which the district operates; and (3) approval by the public service commission of West Virginia.

In the event of any such sale, the proceeds thereof, if any, remaining after payment of all outstanding bonds and other obligations of the district, shall be ratably distributed to any persons who have made contributions in aid of construction of such water, sewer, stormwater or gas system, such distribution not to exceed the actual amount of any such contribution, without interest, and any balance of funds thereafter remaining shall be paid to the county commission of the county in which the major portion of such water, sewer, stormwater or gas system is located to be placed in the general funds of such county commission.

Acts 1963, c. 75; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1997, c. 160, eff. 90 days after April 10, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

## Library References

Counties Ⓒ110.

Municipal Corporations Ⓒ225.

Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 147.

C.J.S. Municipal Corporations §§ 882 to 892.

### § 16-13A-19. Statutory mortgage lien created; foreclosure thereof

There shall be and is hereby created a statutory mortgage lien upon such public service properties of the district, which shall exist in favor of the holders of bonds hereby authorized to be issued, and each of them, and the coupons attached to said bonds, and such public service properties shall remain subject to such statutory mortgage lien until payment in full of all principal of and interest on such bonds. Any holder of such bonds, of any coupons attached thereto, may, either at law or in equity, enforce said statutory mortgage lien conferred hereby and upon default in the payment of the principal of or interest on said bonds, may foreclose such statutory mortgage lien in the manner now provided by the laws of the State of West Virginia for the foreclosure of mortgages on real property.

Acts 1953, c. 147.

## Library References

Counties Ⓒ188.

Municipal Corporations Ⓒ937, 955.

Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 226.

C.J.S. Municipal Corporations §§ 1707, 1711.

## Notes of Decisions

#### In general 1

##### 1. In general

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property

of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations Ⓒ 222; Municipal Corporations Ⓒ 225(1)

### § 16-13A-20. Refunding revenue bonds

The board of any district having issued bonds under the provisions of this article is hereby empowered thereafter by resolution to issue refunding bonds of such district for the purpose of retiring or refinancing such outstanding

bonds, together with any unpaid interest thereon and redemption premium thereunto appertaining and all of the provisions of this article relating to the issuance, security and payment of bonds shall be applicable to such refunding bonds, subject, however, to the provisions of the proceedings which authorized the issuance of the bonds to be so refunded.

Acts 1953, c. 147.

**Library References**

Counties ⅈ175.  
Municipal Corporations ⅈ913.  
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 218.  
C.J.S. Municipal Corporations §§ 1647 to 1648, 1651.

**§ 16-13A-21. Complete authority of article; liberal construction; district to be public instrumentality; tax exemption**

This article is full and complete authority for the creation of public service districts and for carrying out the powers and duties of same as herein provided. The provisions of this article shall be liberally construed to accomplish its purpose and no procedure or proceedings, notices, consents or approvals, are required in connection therewith except as may be prescribed by this article: Provided, That all functions, powers and duties of the public service commission of West Virginia, the bureau of public health, the division of environmental protection and the environmental quality board remain unaffected by this article. Every district organized, consolidated, merged or expanded under this article is a public instrumentality created and functioning in the interest and for the benefit of the public, and its property and income and any bonds issued by it are exempt from taxation by the state of West Virginia, and the other taxing bodies of the state: Provided, however, That the board of any such district may use and apply any of its available revenues and income for the payment of what such board determines to be tax or license fee equivalents to any local taxing body and in any proceedings for the issuance of bonds of such district may reserve the right to annually pay a fixed or computable sum to such taxing bodies as such tax or license fee equivalent.

Acts 1953, c. 147; Acts 1986, c. 81; Acts 1994, c. 61.

**Library References**

Counties ⅈ18.  
Municipal Corporations ⅈ5.  
Taxation ⅈ2316, 3519.

Westlaw Topic Nos. 104, 268, 371.  
C.J.S. Counties § 31.  
C.J.S. Municipal Corporations § 11.

**Notes of Decisions**

In general 2  
Validity 1

**1. Validity**

Statute authorizing creation of public service districts violates no provision of State Constitution, nor is it violative of Fourteenth Amendment to United States Constitution. Act 1953,

c. 147; U.S.C.A. Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⅈ 4056; Municipal Corporations ⅈ 4

Statute authorizing creation of public service districts does not, in so far as it requires County Court to define territory to be included in public service district and appoint a board to govern same in first instance, involve unconstitutional



delegation of judicial functions to the County Court, Acts 1953, c. 147; Const. art. 8, § 24. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇨ 2355; Municipal Corporations ⇨ 4

## 2. In general

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl,

1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⇨ 222; Municipal Corporations ⇨ 225(1)

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying water and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6, § 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⇨ 123(3); Statutes ⇨ 123(5)

## § 16-13A-22. Validation of prior acts and proceedings of county courts for creation of districts, inclusion of additional territory, and appointment of members of district boards

All acts and proceedings taken by any county court of this State purporting to have been carried out under the provisions of this article which have been taken, prior to the date this section takes effect, for the purpose of creating public service districts or for the purpose of subsequent inclusion of additional territory to existing public service districts, after notice published by any such county court having territorial jurisdiction thereof of its intention to include such additional territory after hearing thereon, are hereby validated, ratified, approved and confirmed notwithstanding any other lack of power (other than constitutional) of any such county court to create such public service districts or to include additional territory to existing public service districts or irregularities (other than constitutional) in such proceedings, relating to the appointment and qualification of more than three members to the board of any such public service district or the subsequent appointment of successors of any or all of such members, notwithstanding that no city, incorporated town or other municipal corporation having a population in excess of three thousand is included within the district, and the appointment and qualification of such members, and further including any irregularities in the petition for the creation of any public service district, irregularities in the description of the area embraced by such district, and irregularities in the notice and publication of notice for the hearing creating such district, prior to the date this section takes effect, is hereby validated, ratified, approved and confirmed; and, further, in such cases where more than three members of the board of such districts have been so appointed prior to the date this section takes effect then such county court shall appoint, and they are hereby authorized and empowered to appoint, successors to such members in the manner as otherwise provided by this article.

Acts 1958, c. 14; Acts 1960, c. 19.

*W.Va. Const., art. IX, § 9, redesignated the office of the county court as county commission.*

## § 16-13A-22

## PUBLIC HEALTH

### Library References

Counties Ⓒ18.  
Municipal Corporations Ⓒ5.  
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 31.  
C.J.S. Municipal Corporations § 11.

## § 16-13A-23. Validation of acts and proceedings of public service boards

All acts and proceedings taken by any public service board the members of which were appointed, prior to the date this section takes effect, by any county court of this State having territorial jurisdiction thereof, are hereby validated, ratified, approved and confirmed, as to defects and irregularities which may otherwise exist on account of their appointment and qualification: Provided, however, That nothing herein contained shall be construed to excuse a criminal act.

Acts 1958, c. 14; Acts 1960, c. 19; Acts 1965, c. 134.

*W.Va. Const., art. IX, § 9, redesignated the office of the county court as county commission.*

### Library References

Counties Ⓒ47.  
Municipal Corporations Ⓒ166.  
Westlaw Topic Nos. 104, 268.

C.J.S. Counties §§ 70 to 73.  
C.J.S. Municipal Corporations §§ 369 to 371

## § 16-13A-24. Acceptance of loans, grants or temporary advances

Any public service district created pursuant to the provisions of this article is authorized and empowered to accept loans or grants and procure loans or temporary advances evidenced by notes or other negotiable instruments issued in the manner, and subject to the privileges and limitations, set forth with respect to bonds authorized to be issued under the provisions of this article, for the purpose of paying part or all of the cost of construction or acquisition of water systems, sewage systems, stormwater systems or stormwater management systems or gas facilities, or all of these, and the other purposes herein authorized, from any authorized agency or from the United States of America or any federal or public agency or department of the United States or any private agency, corporation or individual, which loans or temporary advances, including the interest thereon, may be repaid out of the proceeds of the bonds authorized to be issued under the provisions of this article, the revenues of the said water system, sewage system, stormwater system or associated stormwater management system or gas facilities, or grants to the public service district from any authorized agency or from the United States of America or any federal or public agency or department of the United States or from any private agency, corporation or individual or from any combination of such sources of payment, and to enter into the necessary contracts and agreements to carry out the purposes hereof with any authorized agency or the United States of America or any federal or public agency or department of the United States, or with any private agency, corporation or individual. Any other provisions of this article to the contrary notwithstanding, interest on any such loans or temporary

advances may be paid from the proceeds thereof until the maturity of such notes or other negotiable instrument.

Acts 1958, c. 14; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 118; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

#### Library References

Counties  $\S$  149.

Municipal Corporations  $\S$  864(3).

Westlaw Topic Nos. 104, 268.

C.J.S. Counties  $\S\S$  185, 187.

C.J.S. Municipal Corporations  $\S\S$  1583 to 1585, 1587.

#### Notes of Decisions

In general 1

note, is permissible borrowing under this section. 62 W.Va. Op. Atty. Gen. 27 (May 6, 1988) 1988 WL 483331.

#### 1. In general

The borrowing by PSD's of money from counties and/or municipalities, as evidenced by a

### § 16-13A-25. Borrowing and bond issuance; procedure

(a) Notwithstanding any other provisions of this article to the contrary, a public service district may not borrow money, enter into contracts for the provision of engineering, design or feasibility studies, issue or contract to issue revenue bonds or exercise any of the powers conferred by the provisions of section thirteen, twenty or twenty-four of this article without the prior consent and approval of the Public Service Commission: *Provided*, That approval of funding set forth in section eleven, article two, chapter twenty-four of this code or this section is not required if the funding is for a project which has received a certificate of public convenience and necessity after the eighth day of July, two thousand five, from the commission and where the cost of the project changes but the change does not affect the rates established for the project.

(b) The Public Service Commission may waive the provision of prior consent and approval for entering into contracts for engineering, design or feasibility studies pursuant to this section for good cause shown which is evidenced by the public service district filing a request for waiver of this section stated in a letter directed to the commission with a brief description of the project, a verified statement by the board members that the public service district has complied with chapter five-g of this code, and further explanation of ability to evaluate their own engineering contract, including, but not limited to:

(1) Experience with the same engineering firm; or

(2) Completion of a construction project requiring engineering services. The district shall also forward an executed copy of the engineering contract to the commission after receiving approval of the waiver.

(c) An engineering contract that meets one or more of the following criteria is exempt from the waiver or approval requirements:

(1) A contract with a public service district that is a Class A utility on the first day of April, two thousand three, or subsequently becomes a Class A utility as defined by commission rule;

## § 16-13A-25

## PUBLIC HEALTH

(2) A contract with a public service district that does not require borrowing and that can be paid out of existing rates;

(3) A contract where the payment of engineering fees are contingent upon the receipt of funding, and commission approval of the funding, to construct the project which is the subject of the contract; or

(4) A contract that does not exceed fifteen thousand dollars.

(d) Requests for approval or waivers of engineering contracts shall be deemed granted thirty days after the filing date unless the staff of the Public Service Commission or a party files an objection to the request. If an objection is filed, the Public Service Commission shall issue its decision within one hundred twenty days of the filing date. In the event objection is received to a request for a waiver, the application shall be considered a request for waiver as well as a request for approval in the event a waiver is not appropriate.

(e) Unless the properties to be constructed or acquired represent ordinary extensions or repairs of existing systems in the usual course of business, a public service district must first obtain a certificate of public convenience and necessity from the Public Service Commission in accordance with the provision of chapter twenty-four of this code when a public service district is seeking to acquire or construct public service property.

Acts 1969, 1st Ex. Sess., c. 6; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1996, c. 213, eff. 90 days after March 9, 1996; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2003, c. 184, eff. 90 days after March 7, 2003; Acts 2005, c. 193, eff. 90 days after April 9, 2005; Acts 2006, c. 190, eff. 90 days after March 10, 2006.

### Library References

Counties ⇨ 114.

Municipal Corporations ⇨ 270.

Public Utilities ⇨ 145.

Westlaw Topic Nos. 104, 268, 317A.

C.J.S. Counties § 161.

C.J.S. Public Utilities §§ 26 to 32, 159 to 167, 169 to 171, 177 to 178.

### Research References

#### ALR Library

101 ALR 5th 287, Remedies for Sewage Treatment Plant Alleged or Deemed to be Nuisance.

### Notes of Decisions

#### In general 1

Certificate of public convenience and necessity 2

#### 1. In general

Proposed sewage treatment project complied with buffer zone requirements where all parties acknowledged that distance of proposed sewage lagoons from property owners' home was further than minimum buffer-zone requirement of 300 feet; Public Service Commission relied on ample evidence in record to support claim that proposed location was both cost-effective and

environmentally sound. Code, 16-13A-25, 24-2-11, 24-2-11(a). *Sexton v. Public Service Com'n*, 1992, 423 S.E.2d 914, 188 W.Va. 305. Municipal Corporations ⇨ 708

#### 2. Certificate of public convenience and necessity

Public Service district must obtain certificate of public convenience and necessity before it can acquire or construct public service property. Code, 16-13A-25. *Sexton v. Public Service Com'n*, 1992, 423 S.E.2d 914, 188 W.Va. 305. Public Utilities ⇨ 113

### Section

16-13B-1

16-13B-2

16-13B-3

16-13B-4

16-13B-5

16-13B-6

16-13B-7

16-13B-8

16-13B-9

16-13B-1

16-13B-1

16-13B-1

16-13B-1

16-13B-1

16-13B-1

16-13B-1

16-13B-1

16-13B-1

16-13B-1

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

16-13B-2

*West's*  
**Annotated Code  
of West Virginia**

~~~~~  
*Using the Classification and  
Numbering System of the  
1931 Code of West Virginia,  
as Amended*

---

Chapter 16

2009  
Cumulative Annual Pocket Part

Replacing 2008 Pocket Part supplementing 2008 Main Volume

Includes laws through the 2009 Second Extraordinary Session

**WEST®**

A Thomson Reuters business

Mat #40867260

9

## PUBLIC HEALTH

Environmental Protection or the use of the pollution of any stream or body of water, just and equitable of the existing municipal sewer systems and facilities to be rendered of said order, to be paid by the real estate or building that is in the stormwater system, or that in any such rates, fees or charges from

proper and reasonable costs and expenses and works for the collection, and the repair, alteration and maintenance may be necessary to comply with Environmental Protection or the maintenance and repair of the entire

fund to accumulate and hold monies until completion of the Municipal Bond Commission by and operation in the manner as

charges shall be sufficient in such rates and expenses of operation, maintenance, of the entire sewer and

after a public hearing, at which time or to be served thereby concerning the proposed rates or

charges, and before the same is published schedule of rates, fees or charges in legal advertisement in accordance with this code. The publication shall be made at least

from time to time, the ordinance shall be reduced or as modified and published schedule of the rates, fees and charges by the utility board having charge of the clerk of the municipality. The ordinance shall be published by all parties interested. The ordinance shall be published by all parties interested. The ordinance shall be published by all parties interested.

be made in the same manner as provided: *Provided*, That the ordinance shall be published by all parties interested.

after it is due, the amount of the attorney's fee, may be paid in the name of the

the authority to construct, install, maintain or works in the Department of Environmental

## PUBLIC HEALTH

### § 16-13A-9

Protection or the Environmental Quality Board and the authority provided herein to establish, maintain and collect rates, fees or charges is an additional and alternative method of financing such works and matters, and is independent of any other provision of this article insofar as the article provides for or requires the issuance of revenue bonds or the imposition of rates, fees and charges in connection with the bonds: *Provided*, That except for the method of financing such works and matters, the construction, acquisition, improvement, equipment, custody, operation, repair and maintenance of any plants, machinery or works in compliance with an order of the Secretary of the Department of Environmental Protection or the Environmental Quality Board and the rights, powers and duties of the municipality and the respective officers and departments thereof, including the sanitary board, are governed by the provisions of this article.

(k) The jurisdiction and authority provided by this section does not extend to highways, road and drainage easements and stormwater facilities constructed, owned or operated by the West Virginia Division of Highways and no rates, fees or charges for stormwater services or costs of compliance may be assessed against highways, road and drainage easements and/or stormwater facilities constructed, owned and/or operated by the West Virginia Division of Highways.

(l) A municipality which has been designated by the Environmental Protection Agency as an entity to serve a West Virginia Separate Storm Sewer System community, as defined in 40 C.F.R. § 122.26, has the authority to enact ordinances or regulations which allow for the issuance of orders, the right to enter properties and the right to impose reasonable fines and penalties regarding correction of violations of municipal stormwater ordinances or regulations within the municipal watershed served by the municipal stormwater system, as long as such rules, regulations, fines or actions are not contrary to any rules or orders of the Public Service Commission.

(m) Notice of a violation of a municipal stormwater ordinance or regulation shall be served in person to the alleged violator or by certified mail, return receipt requested. The notice shall state the nature of the violation, the potential penalty, the action required to correct the violation and the time limit for making the correction. Should a person, after receipt of proper notice, fail to correct the violation of the municipal stormwater ordinance or regulation, the municipality may make or have made the corrections of the violation and bring the party into compliance with the applicable stormwater ordinance or regulation. The municipality may collect the costs of correcting the violation from the person by instituting a civil action, as long as such actions are not contrary to any rules or orders of the Public Service Commission.

(n) A municipality which has been designated by the Environmental Protection Agency as an entity to serve a West Virginia Separate Storm Sewer System community shall prepare an annual report detailing the collection and expenditure of rates, fees or charges and make it available for public review at the place of business of the governing body and the stormwater utility main office.

Acts 1955, c. 135; Acts 1967, c. 105; Acts 1994, c. 61; Acts 2001, c. 212, eff. 90 days after April 14, 2001; Acts 2008, c. 202, eff. March 8, 2008.

## ARTICLE 13A

### PUBLIC SERVICE DISTRICTS

#### Section

16-13A-9. Rules; service rates and charges; discontinuance of service; required

#### Section

water and sewer connections; lien for delinquent fees.

### § 16-13A-9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees

(a)(1) The board may make, enact and enforce all needful rules in connection with the acquisition, construction, improvement, extension, management, maintenance, operation, care, protection and the use of any public service properties owned or controlled by the district.

The board shall establish rates, fees and charges for the services and facilities it furnishes, which shall be sufficient at all times, notwithstanding the provisions of any other law or laws, to pay the cost of maintenance, operation and depreciation of the public service properties and principal of and interest on all bonds issued, other obligations incurred under the provisions of this article and all reserve or other payments provided for in the proceedings which authorized the issuance of any bonds under this article. The schedule of the rates, fees and charges may be based upon:

- (A) The consumption of water or gas on premises connected with the facilities, taking into consideration domestic, commercial, industrial and public use of water and gas;
- (B) The number and kind of fixtures connected with the facilities located on the various premises;
- (C) The number of persons served by the facilities;
- (D) Any combination of paragraphs (A), (B) and (C) of this subdivision; or
- (E) May be determined on any other basis or classification which the board may determine to be fair and reasonable, taking into consideration the location of the premises served and the nature and extent of the services and facilities furnished. However, no rates, fees or charges for stormwater services may be assessed against highways, road and drainage easements or stormwater facilities constructed, owned or operated by the West Virginia Division of Highways.

(2) Where water, sewer, stormwater or gas services, or any combination thereof, are all furnished to any premises, the schedule of charges may be billed as a single amount for the aggregate of the charges. The board shall require all users of services and facilities furnished by the district to designate on every application for service whether the applicant is a tenant or an owner of the premises to be served. If the applicant is a tenant, he or she shall state the name and address of the owner or owners of the premises to be served by the district. Notwithstanding the provisions of section eight, article three, chapter twenty-four of this code to the contrary, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage of the applicant's specific customer class or fifty dollars, with the district to secure the payment of service rates, fees and charges in the event they become delinquent as provided in this section. If a district provides both water and sewer service, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage for water service or fifty dollars and the greater of a sum equal to two twelfths of the average annual usage for wastewater service of the applicant's specific customer class or fifty dollars. In any case where a deposit is forfeited to pay service rates, fees and charges which were delinquent at the time of disconnection or termination of service, no reconnection or reinstatement of service may be made by the district until another deposit equal to the greater of a sum equal to two twelfths of the average usage for the applicant's specific customer class or fifty dollars has been remitted to the district. After twelve months of prompt payment history, the district shall return the deposit to the customer or credit the customer's account at a rate as the Public Service Commission may prescribe. *Provided*, That where the customer is a tenant, the district is not required to return the deposit until the time the tenant discontinues service with the district. Whenever any rates, fees, rentals or charges for services or facilities furnished remain unpaid for a period of twenty days after the same become due and payable, the user of the services and facilities provided is delinquent and the user is liable at law until all rates, fees and charges are fully paid. The board may, under reasonable rules promulgated by the Public Service Commission, shut off and discontinue water or gas services to all delinquent users of either water or gas facilities, or both, ten days after the water or gas services become delinquent.

(b) In the event that any publicly or privately owned utility, city, incorporated town, other municipal corporation or other public service district included within the district owns and operates separately water facilities, sewer facilities or stormwater facilities and the district owns and operates another kind of facility either water or sewer, or both, as the case may be, then the district and the publicly or privately owned utility, city, incorporated town or other municipal corporation or other public service district shall covenant and contract with each other to shut off and discontinue the supplying of water service for the nonpayment of sewer

or stormwater service fees and charges: *Provided*, That any contracts entered into by a public service district pursuant to this section shall be submitted to the Public Service Commission for approval. Any public service district which provides water and sewer service, water and stormwater service or water, sewer and stormwater service has the right to terminate water service for delinquency in payment of water, sewer or stormwater bills. Where one public service district is providing sewer service and another public service district or a municipality included within the boundaries of the sewer or stormwater district is providing water service and the district providing sewer or stormwater service experiences a delinquency in payment, the district or the municipality included within the boundaries of the sewer or stormwater district that is providing water service, upon the request of the district providing sewer or stormwater service to the delinquent account, shall terminate its water service to the customer having the delinquent sewer or stormwater account: *Provided*, *however*, That any termination of water service must comply with all rules and orders of the Public Service Commission.

(c) Any district furnishing sewer facilities within the district may require, or may by petition to the circuit court of the county in which the property is located, compel or may require the Division of Health to compel all owners, tenants or occupants of any houses, dwellings and buildings located near any sewer facilities where sewage will flow by gravity or be transported by other methods approved by the Division of Health, including, but not limited to, vacuum and limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code, from the houses, dwellings or buildings into the sewer facilities, to connect with and use the sewer facilities and to cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from the houses, dwellings and buildings where there is gravity flow or transportation by any other methods approved by the Division of Health, including, but not limited to, vacuum and limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code and the houses, dwellings and buildings can be adequately served by the sewer facilities of the district and it is declared that the mandatory use of the sewer facilities provided for in this paragraph is necessary and essential for the health and welfare of the inhabitants and residents of the districts and of the state. If the public service district requires the property owner to connect with the sewer facilities even when sewage from dwellings may not flow to the main line by gravity and the property owner incurs costs for any changes in the existing dwellings' exterior plumbing in order to connect to the main sewer line, the Public Service District Board shall authorize the district to pay all reasonable costs for the changes in the exterior plumbing, including, but not limited to, installation, operation, maintenance and purchase of a pump or any other method approved by the Division of Health. Maintenance and operation costs for the extra installation should be reflected in the users charge for approval of the Public Service Commission. The circuit court shall adjudicate the merits of the petition by summary hearing to be held not later than thirty days after service of petition to the appropriate owners, tenants or occupants.

(d) Whenever any district has made available sewer facilities to any owner, tenant or occupant of any house, dwelling or building located near the sewer facility and the engineer for the district has certified that the sewer facilities are available to and are adequate to serve the owner, tenant or occupant and sewage will flow by gravity or be transported by other methods approved by the Division of Health from the house, dwelling or building into the sewer facilities, the district may charge, and the owner, tenant or occupant shall pay, the rates and charges for services established under this article only after thirty-day notice of the availability of the facilities has been received by the owner, tenant or occupant. Rates and charges for sewerage services shall be based upon actual water consumption or the average monthly water consumption based upon the owner's, tenant's or occupant's specific customer class.

(e) The owner, tenant or occupant of any real property may be determined and declared to be served by a stormwater system only after each of the following conditions is met: (1) The district has been designated by the Environmental Protection Agency as an entity to serve a West Virginia Separate Storm Sewer System community, as defined in 40 C.F.R. § 122.26; (2) the district's authority has been properly expanded to operate and maintain a stormwater system; (3) the district has made available a stormwater system where stormwater from the real property affects or drains into the stormwater system; and (4) the real property is

## § 16-13A-9

located in the Municipal Separate Storm Sewer System's designated service area. It is further hereby found, determined and declared that the mandatory use of the stormwater system is necessary and essential for the health and welfare of the inhabitants and residents of the district and of the state. The district may charge and the owner, tenant or occupant shall pay the rates, fees and charges for stormwater services established under this article only after thirty-day notice of the availability of the stormwater system has been received by the owner. An entity providing stormwater service shall provide a tenant a report of the stormwater fee charged for the entire property and, if appropriate, that portion of the fee to be assessed to the tenant.

(f) All delinquent fees, rates and charges of the district for either water facilities, sewer facilities, gas facilities or stormwater systems or stormwater management programs are liens on the premises served of equal dignity, rank and priority with the lien on the premises of state, county, school and municipal taxes. In addition to the other remedies provided in this section, public service districts are granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of delinquent water, sewer, stormwater or gas bills. If the district collects the delinquent account, plus reasonable costs, from its customer or other responsible party, the district shall pay to the magistrate the normal filing fee and reasonable costs which were previously deferred. In addition, each public service district may exchange with other public service districts a list of delinquent accounts: *Provided*, That an owner of real property may not be held liable for the delinquent rates or charges for services or facilities of a tenant, nor may any lien attach to real property for the reason of delinquent rates or charges for services or facilities of a tenant of the real property, unless the owner has contracted directly with the public service district to purchase the services or facilities.

(g) Anything in this section to the contrary notwithstanding, any establishment, as defined in section three, article eleven, chapter twenty-two of this code, now or hereafter operating its own sewage disposal system pursuant to a permit issued by the Department of Environmental Protection, as prescribed by section eleven of said article is exempt from the provisions of this section.

(h) A public service district which has been designated by the Environmental Protection Agency as an entity to serve a West Virginia Separate Storm Sewer System community shall prepare an annual report detailing the collection and expenditure of rates, fees or charges and make it available for public review at the place of business of the governing body and the stormwater utility main office.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1989, c. 174; Acts 1994, c. 61; Acts 2002, c. 272, eff. 90 days after March 9, 2002; Acts 2003, c. 183, eff. 90 days after March 8, 2003; Acts 2008, c. 202, eff. March 8, 2008.

## § 16-13A-15. Bonds may be secured by trust indenture

United States Code Annotated

Trust Indenture Act of 1939, see 15 U.S.C.A.  
§ 77aaa et seq.

## ARTICLE 13D

### REGIONAL WATER AND WASTEWATER AUTHORITY ACT

## § 16-13D-11. Bonds may be secured by trust indenture

United States Code Annotated

Trust Indenture Act of 1939, see 15 U.S.C.A.  
§ 77aaa et seq.

## PUBLIC HEALTH

## PUBLIC HEALTH

Section  
16-14-1 to 16-14-3. Rep

## §§ 16-14-1 to 16-14-

The repealed sections,  
and cosmetologists, were c  
Acts 1951, c. 155.  
Acts 1959, c. 139.

## § 16-15-1. Definitio

American Dream Down  
U.S.C.A. § 12821.  
Farm housing, see 42 U.S.  
Helping Hands for Hom  
U.S.C.A. §§ 1472, 12805.

## § 16-18-1. Short titl

Slum clearance and ur  
U.S.C.A. § 1441 et seq.

I

Section  
16-19-1. Short title.  
16-19-2. Applicability.  
16-19-3. Definitions.  
16-19-4. Who may make  
donor's death.  
16-19-5. Manner of making  
fore donor's de  
16-19-6. Amending or rev  
before donor's  
16-19-7. Refusal to make  
of refusal.  
16-19-8. Preclusive effect  
amendment, or  
16-19-9. Who may make  
cedent's body a



FILED  
2010 APR -2 PM 4:10

**WEST VIRGINIA LEGISLATURE**  
**SEVENTY-NINTH LEGISLATURE**  
**REGULAR SESSION, 2010**

—●—  
**ENROLLED**

COMMITTEE SUBSTITUTE

FOR

**Senate Bill No. 465**

(SENATORS KESSLER, EDGELL  
AND CHAFIN, *original sponsors*)

[Passed March 13, 2010; in effect ninety days from passage.]

138 contained within the rules of the Public Service Commis-  
139 sion shall be deemed to require any agents or employees of  
140 the municipality or governing body to accept payment at  
141 the customer's premises in lieu of discontinuing service for  
142 a delinquent bill.

**ARTICLE 13A. PUBLIC SERVICE DISTRICTS.**

**§16-13A-9. Rules; service rates and charges; discontinuance of  
service; required water and sewer connections;  
lien for delinquent fees.**

1 (a) (1) The board may make, enact and enforce all  
2 needful rules in connection with the acquisition, construc-  
3 tion, improvement, extension, management, maintenance,  
4 operation, care, protection and the use of any public  
5 service properties owned or controlled by the district. The  
6 board shall establish rates, fees and charges for the  
7 services and facilities it furnishes, which shall be suffi-  
8 cient at all times, notwithstanding the provisions of any  
9 other law or laws, to pay the cost of maintenance, opera-  
10 tion and depreciation of the public service properties and  
11 principal of and interest on all bonds issued, other obliga-  
12 tions incurred under the provisions of this article and all  
13 reserve or other payments provided for in the proceedings  
14 which authorized the issuance of any bonds under this  
15 article. The schedule of the rates, fees and charges may be  
16 based upon:

17 (A) The consumption of water or gas on premises con-  
18 nected with the facilities, taking into consideration  
19 domestic, commercial, industrial and public use of water  
20 and gas;

21 (B) The number and kind of fixtures connected with the  
22 facilities located on the various premises;

23 (C) The number of persons served by the facilities;

24 (D) Any combination of paragraphs (A), (B) and (C) of  
25 this subdivision; or

26 (E) May be determined on any other basis or classifica-  
 27 tion which the board may determine to be fair and reason-  
 28 able, taking into consideration the location of the premises  
 29 served and the nature and extent of the services and  
 30 facilities furnished. However, no rates, fees or charges for  
 31 stormwater services may be assessed against highways,  
 32 road and drainage easements or stormwater facilities  
 33 constructed, owned or operated by the West Virginia  
 34 Division of Highways.

35 (2) Where water, sewer, stormwater or gas services, or  
 36 any combination thereof, are all furnished to any premises,  
 37 the schedule of charges may be billed as a single amount  
 38 for the aggregate of the charges. The board shall require  
 39 all users of services and facilities furnished by the district  
 40 to designate on every application for service whether the  
 41 applicant is a tenant or an owner of the premises to be  
 42 served. If the applicant is a tenant, he or she shall state  
 43 the name and address of the owner or owners of the  
 44 premises to be served by the district. Notwithstanding the  
 45 provisions of section eight, article three, chapter twenty-  
 46 four of this code to the contrary, all new applicants for  
 47 service shall deposit the greater of a sum equal to two  
 48 twelfths of the average annual usage of the applicant's  
 49 specific customer class or \$50, with the district to secure  
 50 the payment of service rates, fees and charges in the event  
 51 they become delinquent as provided in this section. If a  
 52 district provides both water and sewer service, all new  
 53 applicants for service shall deposit the greater of a sum  
 54 equal to two twelfths of the average annual usage for  
 55 water service or \$50 and the greater of a sum equal to two  
 56 twelfths of the average annual usage for wastewater  
 57 service of the applicant's specific customer class or \$50. In  
 58 any case where a deposit is forfeited to pay service rates,  
 59 fees and charges which were delinquent at the time of  
 60 disconnection or termination of service, no reconnection or  
 61 reinstatement of service may be made by the district until

62 another deposit equal to the greater of a sum equal to two  
63 twelfths of the average usage for the applicant's specific  
64 customer class or \$50 has been remitted to the district.  
65 After twelve months of prompt payment history, the  
66 district shall return the deposit to the customer or credit  
67 the customer's account at a rate as the Public Service  
68 Commission may prescribe: *Provided*, That where the  
69 customer is a tenant, the district is not required to return  
70 the deposit until the time the tenant discontinues service  
71 with the district. Whenever any rates, fees, rentals or  
72 charges for services or facilities furnished remain unpaid  
73 for a period of twenty days after the same become due and  
74 payable, the user of the services and facilities provided is  
75 delinquent and the user is liable at law until all rates, fees  
76 and charges are fully paid. The board may, under reason-  
77 able rules promulgated by the Public Service Commission,  
78 shut off and discontinue water or gas services to all  
79 delinquent users of either water or gas facilities, or both,  
80 ten days after the water or gas services become delinquent.  
81 *Provided, however*, That nothing contained within the  
82 rules of the Public Service Commission shall be deemed to  
83 require any agents or employees of the board to accept  
84 payment at the customer's premises in lieu of discontinu-  
85 ing service for a delinquent bill.

86 (b) In the event that any publicly or privately owned  
87 utility, city, incorporated town, other municipal corpora-  
88 tion or other public service district included within the  
89 district owns and operates separately water facilities,  
90 sewer facilities or stormwater facilities and the district  
91 owns and operates another kind of facility either water or  
92 sewer, or both, as the case may be, then the district and  
93 the publicly or privately owned utility, city, incorporated  
94 town or other municipal corporation or other public  
95 service district shall covenant and contract with each  
96 other to shut off and discontinue the supplying of water  
97 service for the nonpayment of sewer or stormwater service

98 fees and charges: *Provided*, That any contracts entered  
 99 into by a public service district pursuant to this section  
 100 shall be submitted to the Public Service Commission for  
 101 approval. Any public service district which provides  
 102 water and sewer service, water and stormwater service or  
 103 water, sewer and stormwater service has the right to  
 104 terminate water service for delinquency in payment of  
 105 water, sewer or stormwater bills. Where one public  
 106 service district is providing sewer service and another  
 107 public service district or a municipality included within  
 108 the boundaries of the sewer or stormwater district is  
 109 providing water service and the district providing sewer or  
 110 stormwater service experiences a delinquency in payment,  
 111 the district or the municipality included within the  
 112 boundaries of the sewer or stormwater district that is  
 113 providing water service, upon the request of the district  
 114 providing sewer or stormwater service to the delinquent  
 115 account, shall terminate its water service to the customer  
 116 having the delinquent sewer or stormwater account:  
 117 *Provided, however*, That any termination of water service  
 118 must comply with all rules and orders of the Public  
 119 Service Commission. *Provided further*, That nothing  
 120 contained within the rules of the Public Service Commis-  
 121 sion shall be deemed to require any agents or employees of  
 122 the Public Service Districts to accept payment at the  
 123 customer's premises in lieu of discontinuing service for a  
 124 delinquent bill.

125 (c) Any district furnishing sewer facilities within the  
 126 district may require, or may by petition to the circuit court  
 127 of the county in which the property is located, compel or  
 128 may require the Division of Health to compel all owners,  
 129 tenants or occupants of any houses, dwellings and build-  
 130 ings located near any sewer facilities where sewage will  
 131 flow by gravity or be transported by other methods  
 132 approved by the Division of Health, including, but not  
 133 limited to, vacuum and pressure systems, approved under

134 the provisions of section nine, article one, chapter sixteen  
135 of this code, from the houses, dwellings or buildings into  
136 the sewer facilities, to connect with and use the sewer  
137 facilities and to cease the use of all other means for the  
138 collection, treatment and disposal of sewage and waste  
139 matters from the houses, dwellings and buildings where  
140 there is gravity flow or transportation by any other  
141 methods approved by the Division of Health, including,  
142 but not limited to, vacuum and pressure systems, approved  
143 under the provisions of section nine, article one, chapter  
144 sixteen of this code and the houses, dwellings and build-  
145 ings can be adequately served by the sewer facilities of the  
146 district and it is declared that the mandatory use of the  
147 sewer facilities provided for in this paragraph is necessary  
148 and essential for the health and welfare of the inhabitants  
149 and residents of the districts and of the state. If the public  
150 service district requires the property owner to connect  
151 with the sewer facilities even when sewage from dwellings  
152 may not flow to the main line by gravity and the property  
153 owner incurs costs for any changes in the existing dwell-  
154 ings' exterior plumbing in order to connect to the main  
155 sewer line, the Public Service District Board shall autho-  
156 rize the district to pay all reasonable costs for the changes  
157 in the exterior plumbing, including, but not limited to,  
158 installation, operation, maintenance and purchase of a  
159 pump or any other method approved by the Division of  
160 Health. Maintenance and operation costs for the extra  
161 installation should be reflected in the users charge for  
162 approval of the Public Service Commission. The circuit  
163 court shall adjudicate the merits of the petition by sum-  
164 mary hearing to be held not later than thirty days after  
165 service of petition to the appropriate owners, tenants or  
166 occupants.

167 (d) Whenever any district has made available sewer  
168 facilities to any owner, tenant or occupant of any house,  
169 dwelling or building located near the sewer facility and

170 the engineer for the district has certified that the sewer  
171 facilities are available to and are adequate to serve the  
172 owner, tenant or occupant and sewage will flow by gravity  
173 or be transported by other methods approved by the  
174 Division of Health from the house, dwelling or building  
175 into the sewer facilities, the district may charge, and the  
176 owner, tenant or occupant shall pay, the rates and charges  
177 for services established under this article only after thirty-  
178 day notice of the availability of the facilities has been  
179 received by the owner, tenant or occupant. Rates and  
180 charges for sewage services shall be based upon actual  
181 water consumption or the average monthly water con-  
182 sumption based upon the owner's, tenant's or occupant's  
183 specific customer class.

184 (e) The owner, tenant or occupant of any real property  
185 may be determined and declared to be served by a storm-  
186 water system only after each of the following conditions is  
187 met: (1) The district has been designated by the Environ-  
188 mental Protection Agency as an entity to serve a West  
189 Virginia Separate Storm Sewer System community, as  
190 defined in 40 C.F.R. §122.26; (2) the district's authority  
191 has been properly expanded to operate and maintain a  
192 stormwater system; (3) the district has made available a  
193 stormwater system where stormwater from the real  
194 property affects or drains into the stormwater system; and  
195 (4) the real property is located in the Municipal Separate  
196 Storm Sewer System's designated service area. It is  
197 further hereby found, determined and declared that the  
198 mandatory use of the stormwater system is necessary and  
199 essential for the health and welfare of the inhabitants and  
200 residents of the district and of the state. The district may  
201 charge and the owner, tenant or occupant shall pay the  
202 rates, fees and charges for stormwater services established  
203 under this article only after thirty-day notice of the  
204 availability of the stormwater system has been received by  
205 the owner. An entity providing stormwater service shall

206 provide a tenant a report of the stormwater fee charged  
207 for the entire property and, if appropriate, that portion of  
208 the fee to be assessed to the tenant.

209 (f) All delinquent fees, rates and charges of the district  
210 for either water facilities, sewer facilities, gas facilities or  
211 stormwater systems or stormwater management programs  
212 are liens on the premises served of equal dignity, rank and  
213 priority with the lien on the premises of state, county,  
214 school and municipal taxes. Nothing contained within the  
215 rules of the Public Service Commission shall be deemed to  
216 require any agents or employees of the Public Service  
217 Districts to accept payment at the customer's premises in  
218 lieu of discontinuing service for a delinquent bill. In  
219 addition to the other remedies provided in this section,  
220 public service districts are granted a deferral of filing fees  
221 or other fees and costs incidental to the bringing and  
222 maintenance of an action in magistrate court for the  
223 collection of delinquent water, sewer, stormwater or gas  
224 bills. If the district collects the delinquent account, plus  
225 reasonable costs, from its customer or other responsible  
226 party, the district shall pay to the magistrate the normal  
227 filing fee and reasonable costs which were previously  
228 deferred. In addition, each public service district may  
229 exchange with other public service districts a list of  
230 delinquent accounts: *Provided*, That an owner of real  
231 property may not be held liable for the delinquent rates or  
232 charges for services or facilities of a tenant, nor may any  
233 lien attach to real property for the reason of delinquent  
234 rates or charges for services or facilities of a tenant of the  
235 real property, unless the owner has contracted directly  
236 with the public service district to purchase the services or  
237 facilities.

238 (g) Anything in this section to the contrary notwith-  
239 standing, any establishment, as defined in section three,  
240 article eleven, chapter twenty-two of this code, now or  
241 hereafter operating its own sewage disposal system



242 pursuant to a permit issued by the Department of Envi-  
243 ronmental Protection, as prescribed by section eleven of  
244 said article, is exempt from the provisions of this section.

245 (h) A public service district which has been designated  
246 by the Environmental Protection Agency as an entity to  
247 serve a West Virginia Separate Storm Sewer System  
248 community shall prepare an annual report detailing the  
249 collection and expenditure of rates, fees or charges and  
250 make it available for public review at the place of business  
251 of the governing body and the stormwater utility main  
252 office.

#### **CHAPTER 24. PUBLIC SERVICE COMMISSION.**

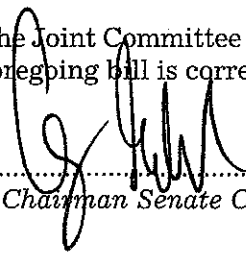
##### **ARTICLE 3. DUTIES AND PRIVILEGES OF PUBLIC UTILITIES SUBJECT TO REGULATIONS OF COMMISSION.**


##### **§24-3-10. Termination of water service for delinquent sewer bills.**

1 (a) In the event that any publicly or privately owned  
2 utility, city, incorporated town, municipal corporation or  
3 public service district owns and operates either water  
4 facilities or sewer facilities, and a privately owned public  
5 utility or a public utility that is owned and operated by a  
6 homeowners' association owns and operates the other kind  
7 of facilities, either water or sewer, then the privately  
8 owned public utility or the homeowners' association may  
9 contract with the publicly or privately owned utility, city,  
10 incorporated town, or public service district which  
11 provides the other services to shutoff and discontinue the  
12 supplying of water service for the nonpayment of sewer  
13 service fees and charges.

14 (b) Any contracts entered into by a privately owned  
15 public utility or by a public utility that is owned and  
16 operated by a homeowners' association pursuant to this  
17 section must be submitted to the Public Service Commis-  
18 sion for approval.

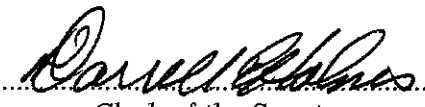
The Joint Committee on Enrolled Bills hereby certifies that  
the foregoing bill is correctly enrolled.

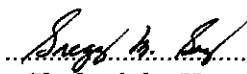
  
.....  
Chairman Senate Committee

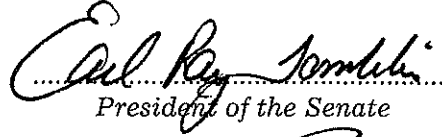
  
.....  
Chairman House Committee

Originated in the Senate.

In effect ninety days from passage.

  
.....  
Clerk of the Senate

  
.....  
Clerk of the House of Delegates

  
.....  
President of the Senate

  
.....  
Speaker House of Delegates

The within is approved this the 2nd  
Day of April, 2010.

  
.....  
Governor

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA)

RESOLUTION OF THE JEFFERSON COUNTY PUBLIC SERVICE DISTRICT AUTHORIZING THE ISSUANCE OF THE SEWER REFUNDING REVENUE BONDS, 2010 SERIES A IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$1,975,000, FOR THE PURPOSES OF CURRENTLY REFUNDING, TOGETHER WITH OTHER FUNDS OF THE DISTRICT, THE SEWER REFUNDING REVENUE BONDS, SERIES 1998A AND PAYING THE COSTS OF ISSUANCE THEREOF; AUTHORIZING THE REFUNDING OF SUCH BONDS; PROVIDING AS TO THE TERMS AND PROVISIONS OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS; DESIGNATING A TRUSTEE AND PAYING AGENT; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS WITH RESPECT THERETO.

WHEREAS, Jefferson County Public Service District (the "Issuer") presently owns and operates a public sewerage system (the "System") and has heretofore financed, in part, the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of the Prior Bonds (as hereinafter defined), including its Sewer Refunding Revenue Bonds, Series 1998A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 (the "Bonds to be Refunded");

WHEREAS, under the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and empowered to issue refunding revenue bonds for the purpose of retiring or refinancing all or any apart of the outstanding Bonds to be Refunded;

WHEREAS, the Issuer is advised that present value debt service savings will be realized as a result of the refunding of the Bonds to be Refunded;

WHEREAS, the Issuer has determined and hereby determines that it would therefore be to the benefit of the Issuer and its customers to refund the Bonds to be Refunded and to redeem the Bonds to be Refunded on the Redemption Date (hereinafter defined), in the manner set forth herein with proceeds of a series of bonds to be designated "Sewer Refunding Revenue Bonds, 2010 Series A" (the "2010 Bonds"), in the maximum aggregate principal amount of not more than \$1,975,000, together with other moneys of the Issuer;

WHEREAS, the Bonds to be Refunded were issued pursuant to a resolution of the Issuer duly adopted on February 26, 1998, as supplemented by a resolution of the Issuer duly adopted on February 26, 1998 (collectively, the "1998 Resolution");

WHEREAS, the Issuer now desires to authorize the refunding of the Bonds to be Refunded as aforesaid, and to provide for the financing thereof by the issuance of the 2010 Series A Bonds as hereinafter provided;

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF JEFFERSON COUNTY  
PUBLIC SERVICE DISTRICT:

## ARTICLE I

### DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

Section 1.01. Definitions. All capitalized terms used in this Resolution and not otherwise defined in the recitals or in the text hereof shall have the meanings specified below, unless the context expressly requires otherwise:

“2010 Series A Bonds” or “Bonds” means the Sewer Refunding Revenue Bonds, 2010 Series A of the Issuer, originally authorized to be issued pursuant to this Resolution.

“2010 Series A Bonds Redemption Account” means the 2010 Series A Bonds Redemption Account created by Section 4.02 hereof.

“2010 Series A Bonds Reserve Account” means the 2010 Series A Bonds Reserve Account created by Section 4.02 hereof.

“2010 Series A Bonds Reserve Requirement” means, as of any date of calculation, the lesser of (i) 10% of the original stated principal amount of the 2010 Series A Bonds; (ii) the maximum amount of principal and interest which will become due on the 2010 Series A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the 2010 Series A Bonds.

“2010 Series A Bonds Sinking Fund” means the 2010 Series A Bonds Sinking Fund created by Section 4.02 hereof.

“Act” means Chapter 16, Article 13A of the West Virginia Code of 1931, as amended and in effect on the date of delivery of the 2010 Series A Bonds.

“Authority” means the West Virginia Water Development Authority.

“Authority Bonds” means, collectively, the bonds which the Authority, or its successor, is the original purchaser of, being the Series 1988 B, the Series 1993 A Bonds, the Series 1998 B Bonds, the Series 1998 C Bonds, the Series 1999 A Bonds, the Series 2000 A Bonds and the Series 2008 A Bonds.

“Authorized Denominations” means denominations of \$5,000 and any integral multiple thereof.

“Authorized Newspaper” means a financial journal or newspaper of general circulation in the City of New York, New York, printed in the English language and customarily published on each business day of the Registrar, whether or not published on Saturdays, Sundays or legal holidays, and so long as so published, shall include The Bond Buyer and Redemption Digest.

“Authorized Officer” means the Chairman of the Governing Body of the Issuer or any Acting Chairman duly selected by the Governing Body.

“Beneficial Owner” means the purchaser of a beneficial interest in the Bonds when the Bonds are held by the Securities Depository in the Book-Entry System, and otherwise means a Bondholder.

“Bond Commission” means the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia which succeeds to the functions of the Bond Commission.

“Bond Counsel” shall mean any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal Bonds, appointed by the Issuer, and shall initially mean Spilman Thomas & Battle, PLLC, Charleston, West Virginia.

“Bondholder,” “Holder of the Bonds,” “Owner of the Bonds” or any similar term means any person who shall be the registered owner of any outstanding Bond.

“Bond Register” means the books of the Issuer maintained by the Registrar for the registration and transfer of Bonds.

“Bond Year” means the 12-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, or such other period as shall be determined by the Issuer, except that the first Bond Year shall begin on the Closing Date.

“Bonds” means, collectively, the 2010 Series A Bonds and the Prior Bonds, and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

“Bonds to be Refunded” means the Issuer’s Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000.

“Book-Entry System” means the system maintained by the Securities Depository described in Section 3.11.

“Business Day” means any day other than a Saturday, Sunday or a day on which national banking associations or West Virginia banking corporations are authorized by law to remain closed.

“Certificate of Authentication and Registration” means the Certificate of Authentication and Registration on the 2010 Series A Bonds, in substantially the form set forth in Exhibit A – BOND FORM hereto.

“Certificate of Determination” means the Certificate setting forth the final terms of the 2010 Series A Bonds as more fully described in Section 2.03 hereof.

“Chairman” means the Chairman of the Governing Body of the Issuer.

“Closing Date” means the date upon which there is an exchange of the 2010 Series A Bonds for the proceeds representing the original purchase price thereof.

“Code” shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

“Continuing Disclosure Agreement” means any continuing disclosure agreement between the Issuer and Digital Assurance Certification, L.L.C. or other entity serving as disclosure agent, with respect to the Bonds, as amended or supplemented that is required by, and complies with, the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission.

“Costs” or “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Issuer and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Paying Agent, Registrar and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

“Costs of Issuance Fund” means the Costs of Issuance Fund created by Section 4.01 hereof.

“Depository Bank” means the bank appointed and approved to serve as depository bank and eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC in the Certificate of Determination.

“DTC” means the Depository Trust and Clearing Company, New York, New York, or its successor thereof.

“DTC-eligible” means, with respect to the 2010 Series A Bonds, meeting the qualification prescribed by DTC.

“Electronic Means” means telecopy, telegraph, telex, facsimile transmission, email transmission or other similar electronic means of communication, including a telephonic communication confirm by writing or written transmission.

“Escrow Agent” means the Bond Commission, hereby appointed and approved to serve as the Escrow Agent under the Escrow Agreement.

“Escrow Agreement” or “Escrow Deposit Agreement” means the Escrow Agreement to be entered into between the Issuer and the Escrow Agent, providing for the defeasance and ultimate payment of the Bonds to be Refunded, the deposit therein of proceeds of the 2010 Series A Bonds, the disposition of moneys in the various funds and accounts of the Bonds to be Refunded under the 1998 Resolution and other matters in connection wherewith, and substantially in the form attached hereto as Exhibit C.

“Escrow Deposit Fund” means the escrow deposit trust fund established pursuant to the Escrow Agreement.

“Event of Default” means any occurrence or event specified in Section 7.01.

"FDIC" means the Federal Deposit Insurance Corporation or any successor to the functions of the FDIC.

"Fiscal Year" means each 12-month period beginning on July 1 and ending on the succeeding June 30.

"Governing Body" or "Board" means the public service board of the Issuer, as it may now or hereafter be constituted.

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles in effect at the time of such calculation, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined), or any Tap Fees, as hereinafter defined.

"Independent Accountants" means any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any purpose except keeping the accounts for the System in the normal operation of its business and affairs.

"Issuer" means Jefferson County Public Service District, a public service district and public corporation and political subdivision of the State of West Virginia, in Jefferson County of said State, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Interest Payment Date" means the interest payment dates designated in the Certificate of Determination.

"Maturity Date" means the maturity date designated in the Certificate of Determination.

"Net Proceeds" means the face amount of the 2010 Series A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the 2010 Series A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the 2010 Series A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means the balance of the Gross Revenues, remaining after deduction of Operating Expenses, as hereinafter defined.



"Nonpurpose Investment" means any investment property which is acquired with the gross proceeds of the 2010 Series A Bonds and is not acquired in order to carry out the governmental purpose of the 2010 Series A Bonds.

"Notes" means the Refunding Sewerage System Bond Anticipation Notes, Series 2010 issued in an aggregate principal amount of \$750,000 as set forth in Section 1.03(C).

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as herein defined), other than those capitalized as part of the costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles in effect as of the date of calculation; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Original Purchaser" means Crews & Associates, Inc., as the purchasers of the 2010 Series A Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the 2010 Series A Bonds with interest rates and other terms allowable under the Act, such other person or persons, firm or firms, bank or banks, corporation or corporations or such other entity or entities as shall purchase the 2010 Series A Bonds directly from the Issuer; provided, that the Original Purchaser and the Issuer shall agree to the purchase of the Bonds, including the exact principal amount thereof and interest rate or rates thereon, all as determined by the Certificate of Determination.

"Outstanding," when used with reference to the 2010 Series A Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond canceled by the registrar for such Bond at or prior to said date; (b) any Bond for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Resolution and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01; and (d) with respect to determining the number or percentage of Bondholders or Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer.

"Participant" means one of the entities which deposit securities, directly or indirectly, in the Book-Entry System.

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 6.07 hereof.

"Paying Agent" means the Bond Commission, and any successor thereto appointed in accordance with Section 8.12 hereof.

“Principal Payment Date” means, with respect to a Bond, the date on which principal of such Bond becomes due and payable, either by maturity, redemption, acceleration or otherwise.

“Prior Bonds” means, collectively, the Series 1988B Bonds, the Series 1993A Bonds, the Series 1998B Bonds, the Series 1998C Bonds, the Series 1999A Bonds, the Series 2000A Bonds and the Series 2008A Bonds of the Issuer as more fully described in preambles hereto.

“Prior Resolution” means, collectively, the resolutions of the Issuer, as supplemented, authorizing the Prior Bonds.

“Private Business Use” means use directly or indirectly in a trade or business carried on by a natural person, including all persons “related” to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons “related” to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to “incidental use,” if any, of the proceeds of the issue and/or proceeds used for “qualified improvements” if any.

“Purchase Price,” for the purpose of computation of the Yield of the 2010 Series A Bonds, has the same meaning as the term “issue price” in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the 2010 Series A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the 2010 Series A Bonds of each maturity is sold or, if the 2010 Series A Bonds are privately placed, the price paid by the first buyer of the 2010 Series A Bonds or the acquisition cost of the first buyer. “Purchase Price,” for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of used of Gross Proceeds of the 2010 Series A Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the 2010 Series A Bonds.

“Qualified Investments” means investments in any of the following:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation);
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S.;
- (3) Obligations of Government – Sponsored Agencies that are not backed by the full faith and credit of the U.S. Government and which are rated “Aaa by Moody’s and “AAA” by S&P or any successor thereto;
- (4) Interest bearing accounts, demand deposits, including interest bearing money market accounts, time deposits, trust deposits, overnight bank deposits or certificates of deposit which are fully secured by obligations of the type described in clause(2) or (3) above

or which are issued by banks or trust companies, including, but not limited to the Trustee and any of its affiliates, organized under the laws of the United States of America or any state thereof, which have combined capital and surplus of at least \$25,000,000;

(5) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(6) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(7) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(8) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the Maturity Date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the Maturity Date or dates specified in the irrevocable instructions referred to above, as appropriate.

(9) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P; and

(10) Investment Agreements (including repurchase agreements) provided by an institution with a rating of at least "A2/A," without regard to qualifier, numerical or otherwise, by Moody's and S&P.

"Rebate Fund" means the fund by that name established pursuant to Section 4.01 hereof.

“Record Date” means the day of the month which shall be so stated in the 2010 Series A Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

“Redemption Date” means the date fixed for redemption of the Bonds to be Refunded or any other Bonds of the Issuer called for redemption.

“Redemption Price” means the price at which the Bonds to be Refunded or any other Bonds of the Issuer may be called for redemption and includes the principal of and interest on such Bonds to be redeemed, plus the interest and premium, if any, required to be paid to effect such redemption.

“Registrar” means the bank appointed and approved as the Registrar for the 2010 Series A Bonds in the Certificate of Determination, and any successor thereto and appointed in accordance with Section 8.08 hereof.

“Regulations” means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954.

“Renewal and Replacement Fund” means the Renewal and Replacement Fund created by the 1998 Resolution and continued hereby.

“Resolution” means this Resolution and all orders and resolutions supplemental hereto or amendatory hereof.

“Revenue Fund” means the Revenue Fund created by the 1998 Resolution and continued hereby.

“Secretary” means the Secretary of the Governing Body of the Issuer.

“Securities Depository” means DTC or its nominee, and its successors and assigns, or any successor appointed under Section 3.11.

“State” means the State of West Virginia.

“Supplemental Resolution” means any resolution that is amendatory and supplemental hereto.

“Surplus Revenues” means the Net Revenues not required by this Resolution to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund and any reserve accounts.

“System” means the complete properties of the Issuer for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, as presently existing in its entirety or any integral part thereof, and shall include any additions, improvements and extensions thereto hereafter constructed or acquired for the System from any sources whatsoever.

“Tap Fees” means the fees, if any, paid by prospective customers of the System in order to connect thereto.

“Tax Certificate” means the Tax Compliance Certificate of the Issuer, dated the Closing Date and included in the transcript of which this Resolution is a part.

“Term Bonds” means Bonds subject to mandatory sinking fund redemption, as described by Section 3.06 hereof.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa; and any requirement for execution or attestation of the Bond or any certificate or other document by the Chairman or the Secretary shall mean that such Bond, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

Additional terms and phrases are defined in this Resolution as they are used Accounting terms not specifically defined herein shall be given meaning in accordance with generally accepted accounting principles in effect as of the date of this Resolution.

The terms “herein,” “hereunder,” “hereby,” “hereto,” “hereof” and any similar terms refer to this Resolution; and the term “hereafter” means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

Section 1.02. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. The Governing Body hereby finds and determines as follows:

A. The Issuer is a public service district and public corporation and political subdivision of the State of West Virginia, in Jefferson County of said State.

B. The Issuer now owns and operates the System, the acquisition and construction of which has been financed, in part, by the proceeds of the Outstanding Bonds.

C. The Issuer currently has outstanding its (i) Sewer Revenue Bonds, Series 1988B, dated May 5, 1988, issued in the original aggregate principal amount of \$425,767 (the “Series 1988B Bonds”), (ii) Sewer Revenue Bonds, Series 1993A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of \$971,000 (the “Series 1993A Bonds”), (iii) Sewer Revenue Bonds, Series 1998B (West Virginia SRF Program), dated June 25, 1998, issued in the original aggregate principal amount of \$599,089 (the “Series 1998B Bonds”), (iv) Sewer Revenue Bonds, Series 1998C (West Virginia Infrastructure Fund), dated June 25, 1998, issued in the original aggregate principal amount of \$662,039 (the “Series 1998C Bonds”), (v) Sewer Revenue Bonds, Series 1999A (West Virginia SRF Program), dated December

8, 1999, issued in the original aggregate principal amount of \$378,363 (the "Series 1999A Bonds"), (vi) Sewer Revenue Bonds, Series 2000A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of \$1,154,889 (the "Series 2000A Bonds"), and (vii) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated June 18, 2008, issued in the original aggregate principal amount of \$2,005,000 (the "Series 2008A Bonds," and collectively with the Series 1988B Bonds, the Series 1993A Bonds, the Series 1998B Bonds, the Series 1998C Bonds, the Series 1999A Bonds, the Series 2000A Bonds and the Series 2008 A Bonds, the "Prior Bonds"). The Prior Bonds are payable from and secured by Net Revenues of the System.

The Issuer also has outstanding its Refunding Sewerage System Bond Anticipation Notes, Series 2010, dated January 6, 2010, issued in the aggregate principal amount of \$750,000. The Notes are payable only from and secured by a first lien on (i) the proceeds of revenue bonds or other obligations of the Issuer to be issued subsequent to the issuance of the Notes to permanently finance the costs of the Project; (ii) the proceeds of any grants received by the Issuer for the Project, and (iii) the Surplus Revenues, if any, of the System. The Notes are subordinate in all respects to the Prior Bonds.

D. The Issuer derives revenues from the System which are pledged for payment of the Prior Bonds and the Notes. Except for such pledge thereof, said revenues are not pledged or encumbered in any manner.

E. The Issuer intends to refund the Bonds to be Refunded in their entirety with proceeds of the 2010 Series A Bonds and other funds for the Issuer, to issue the 2010 Series A Bonds and to pledge the Net Revenues of the System for payment thereof on a parity with the Prior Bonds and senior and prior to the Notes.

F. The 2010 Series A Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for issuance of parity bonds set forth in the Prior Resolutions and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature. Prior to the issuance of the 2010 Series A Bonds, the Issuer will obtain the written consent of the Authority to the issuance of the 2010 Series A Bonds on a parity with the Authority Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the system. The Notes are secured, in part, by the Surplus Revenues, if any, of the System.

G. The estimated revenues to be derived in each year from the operation of the System after the refunding and defeasance of the Bonds to be Refunded will be sufficient to pay all Operating Expenses of the System and the principal of and interest on the Prior Bonds and the 2010 Series A Bonds and to make all other payments provided for in this Resolution.

H. Based upon the assumed principal amount, maturity schedule and interest rates for the 2010 Series A Bonds presented to the Issuer by the Original Purchaser, and after making allowance for the use of cash on hand of the Issuer, the 2010 Series A Bonds show a net present

value debt service savings to the Issuer after deducting all expenses of the refunding and the costs of issuing the 2010 Series A Bonds.

I. The Issuer shall not sell the 2010 Series A Bonds without having first obtained the prior written consent of the Authority or without approving the actual principal amount, maturity schedule and interest rates for the 2010 Series A Bonds as set forth in the Certificate of Determination, and the Issuer shall not issue the 2010 Series A Bonds without having obtained from an independent certified public accountant or firm of independent certified public accountants, a certification that the amount of savings stated to be achieved by the refunding shall in fact be saved, based upon their review, comparison and analysis of the net interest cost in dollars of the 2010 Series A Bonds and the net interest cost in dollars of the Bonds to be Refunded.

J. Subject to the determination and Certificate of Determination required by paragraph H above, it is in the best interest of the Issuer, and the residents thereof, that the Issuer issue the 2010 Series A Bonds and secure the 2010 Series A Bonds by a pledge and assignment of the Net Revenue derived from the operation of the System, the moneys in the 2010 Series A Bonds Sinking Fund and the 2010 Series A Bonds Reserve Account, unexpended proceeds of the 2010 Series A Bonds and as further set forth herein.

K. The 2010 Series A Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in Exhibit A- BOND FORM attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Resolution or as deemed necessary by the Registrar or the Issuer.

L. All things necessary to make the 2010 Series A Bonds, when authenticated by the Registrar and issued as in this Resolution provided, the valid, binding and legal special obligations of the Issuer according to the import hereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the 2010 Series A Bonds, will be timely done and duly performed.

M. The adoption of this Resolution, and the execution and issuance of the 2010 Series A Bonds, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the 2010 Series A Bonds by those who shall own or hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of such Bondholders of any and all of such 2010 Series A Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

## ARTICLE II

### **AUTHORIZATION OF REFUNDING, APPROVAL OF DOCUMENTS AND CERTIFICATE OF DETERMINATION AND AUTHORIZATION OF EXECUTION OF DOCUMENTS**

Section 2.01. Authorization of Refunding. All Bonds to be Refunded that are Outstanding as of the date of issuance of the 2010 Series A Bonds are hereby ordered to be refunded pursuant to the terms of the Escrow Agreement, and the pledge of Net Revenues in favor of the Holders of the Bonds to be Refunded imposed by the 1998 Resolution, the moneys in the funds and accounts created by the 1998 Resolution pledged to payment of the Bonds to be Refunded, and any other funds pledged by the 1998 Resolution to payment of the Bonds to be Refunded are hereby ordered terminated, discharged and released upon the payment into the Escrow Deposit Fund from the proceeds of the 2010 Series A Bonds and from other moneys available therefor, of the following: (a) if required by the Escrow Agreement, an amount equal to the fiscal and paying agent charges and the Escrow Agent charges to become due and payable in connection with the Bonds to be Refunded; and (b) an amount which will be simultaneously invested in Government Obligations bearing interest and having maturities sufficient, together with certain cash which may also be deposited, to provide for the payment of the principal of an interest on the Bonds to be Refunded as the same become due, plus the premium, if any, to the first permitted Redemption Date thereof, and on the Redemption Date thereof, and on the Redemption Date to pay the Redemption Price of the Bonds to be Refunded, all set forth in the Escrow Agreement. Contemporaneously with the deposit of the proceeds of the 2010 Series A Bonds and other moneys into the Escrow Deposit Fund, the amounts on deposit in the sinking fund, including the reserve account therein, created and maintained on behalf of the Bonds to be Refunded shall be released from the lien created by the 1998 Resolution and deposited in the Escrow Deposit Fund, the 2010 Series A Bonds Reserve Account or such other fund or account as shall be set forth in the Escrow Agreement and invested as provided therein.

#### Section 2.02. Details of the 2010 Series A Bonds.

(a) The 2010 Series A Bonds shall contain a recital that they are issued pursuant to the Act.

(b) The 2010 Series A Bonds shall have the following terms within the following limits, as established in the Certificate of Determination:

(1) The 2010 Series A Bonds will be issued in such series and in such original principal amounts (the "**Original Principal Amounts**") as determined in the Certificate of Determination.

(2) The 2010 Series A Bonds will be dated as determined in the Certificate of Determination. The date of the 2010 Series A Bonds will not be later than April 1, 2011.



(3) The 2010 Series A Bonds will mature over a period of years as determined in the Certificate of Determination, in serial maturities or term maturities. The final maturity date will be not later than October 1, 2028. Term maturities may be subject to mandatory sinking fund redemption as provided in the Certificate of Determination. The maturity schedule in the Certificate of Determination will be based on the recommendation of the Underwriter and the approval of the District through the Certificate of Determination. The first principal payment of the 2010 Series A Bonds, either by serial maturity or mandatory sinking fund redemption will not be later than the date set forth in the Certificate of Determination.

(4) The 2010 Series A Bonds will be fixed rate bonds and the interest rates shall be set forth in the Certificate of Determination.

(5) The interest on the 2010 Series A Bonds will be payable on the Interest Payment Date.

(6) The 2010 Series A Bonds shall be subject to redemption in the manner and under the circumstances set forth in the Certificate of Determination.

Section 2.03. Certificate of Determination for the Issuance of the 2010 Series A Bonds. The Chairman, Secretary and Treasurer of the Board shall each have the power and authority to execute and deliver the Certificate of Determination, in accordance with Section 2.02, which may include, without limitation, provisions (i) fixing the series and Original Principal Amount of the 2010 Series A Bonds to be issued at an aggregate amount not to exceed \$1,975,000, (ii) fixing the maturity or maturities of the 2010 Series A Bonds, including the amounts of serial bonds and term bonds, provided that no such maturity shall be later than October 1, 2028, (iii) fixing the interest rates for the 2010 Series A Bonds, which interest rates shall not in the aggregate exceed seven and ½ percent (7.5%) per annum, (iv) fixing the amounts, times, terms and conditions of mandatory or optional redemption of the 2010 Series A Bonds, (v) fixing the purchase price for the 2010 Series A Bonds, which may include an underwriting discount and an original issue discount or premium, (vi) fixing the date or dates of the 2010 Series A Bonds, (vii) fixing the interest payment dates and the principal payment date, and (viii) designating the Depository Bank, the Registrar and providers of other services which may be deemed by such officer executing the Certificate of Determination as necessary or desirable to support the 2010 Series A Bonds, to the extent applicable.

Section 2.04. Approval of Other Documents. The forms, terms and provisions of the Certificate of Determination, Escrow Agreement, Purchase Contract, and Continuing Disclosure Agreement (collectively, the "**Closing Documents**"), substantially in the forms attached hereto as Exhibit B, Exhibit C, Exhibit D and Exhibit E presented at this meeting, providing for the issuance of the Bonds for the purposes set forth herein are in all respects approved, the execution of the Closing Documents by the Chairman, Secretary or Treasurer of the Board to be conclusive evidence of such approval.

The Chairman, Secretary and Treasurer of the Board are each authorized and empowered for and on behalf of the Issuer to execute, acknowledge and deliver each of the Closing Documents, in substantially the form presented at this meeting, with such changes therein as such Chairman, Secretary and Treasurer executing the same may deem necessary or desirable, such officer's

execution of each of the Closing Documents to be conclusive evidence of such officer's approval of such changes. In addition, the Chairman, Secretary and Treasurer of the Board upon consultation with counsel to the Issuer, are each authorized and empowered for and on behalf of the Issuer to execute, acknowledge and deliver such other agreements, documents, certificates or instruments, required to consummate the transactions contemplated by the Closing Documents (the "**Other Transaction Documents**") upon such terms and conditions as such officer shall deem acceptable to the Issuer; and such officer's execution of each of the Other Transaction Documents shall be conclusive evidence of such officer's approval of the terms and conditions thereof. The Secretary is hereby further authorized and empowered to affix the seal of the Issuer and to attest to the same for and on behalf of the Issuer in connection with the execution of any of the Closing Documents or Other Transaction Documents.

The Chairman, Secretary and Treasurer of the Board are each hereby authorized to take any action, execute any document, or give any consent which may from time to time be required by the Issuer under any of the aforesaid documents or this Resolution. Any such action taken or document executed or consent given by such officer in his or her capacity as an officer of the Board shall be deemed to be an act by the Issuer and any such action, execution or consent shall be conclusive evidence that the same is authorized by this Resolution.

As specifically provided in the Act, no recourse shall be had by any person for any claims based on any of the aforesaid documents or any instruments or documents related thereto against any official, member, director, officer or employee of the Issuer alleging personal liability on the part of such person.

Section 2.05. Disclosure Documents. The counsel for the Underwriter shall prepare a disclosure document in the form of a preliminary official statement (the "**Preliminary Official Statement**"), substantially in the form attached hereto as Exhibit F presented at this meeting. The Board authorizes and directs the Chairman of the Board, after consultation with the Issuer's legal counsel, to approve the form and substance of the Preliminary Official Statement. The Board authorizes the Underwriter to use and distribute, or authorize the use and distribution of, that Preliminary Official Statement. The Board authorizes the Chairman, Secretary and Treasurer to prepare or cause to be prepared, and to make or authorize modifications, completions or changes of or supplements to, a final official statement for the Bonds (the "**Final Official Statement**" and, together with the Preliminary Official Statement, the "**Official Statement**") and to use and distribute, or authorize the use and distribution of, the Official Statement and any supplements in connection with the issuance of the Bonds. The Board further authorizes and directs the Chairman, Secretary or Treasurer of the Board to determine, and to certify or otherwise represent, when the Preliminary Official Statement is to be "deemed final" (except for permitted omissions) and when the Final Official Statement is a "final official statement" for purposes of Securities and Exchange Commission Rule 15c2-12 (the "SEC Rule") and to sign the Final Official Statement on behalf of the Issuer, together with certificates, statements or other documents, in connection with the finality, accuracy and completeness of the Official Statement. The signing of the Final Official Statement by the Chairman, Secretary or Treasurer will constitute conclusive evidence of the approval of those changes to the Final Official Statement.

## **ARTICLE III**

### **THE BONDS**

**Section 3.01. Form and Payment of Bonds.** No Bond shall be issued pursuant to this Resolution except as provided in this Article III. Any Bonds issued pursuant to this Resolution after the issuance of the 2010 Series A Bonds, as hereinafter provided, may be issued only as fully registered Bonds without coupons, in the denomination of \$5,000 or any integral multiple thereof for any year of maturity. Bonds shall bear interest from the Interest Payment Date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable Interest Payment Date or on such Interest Payment Date, from such Interest Payment Date or, if no interest on such Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Bonds surrendered.

The principal of and the premium, if any, on the 2010 Series A Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of \$500,000 or more of the Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such Interest Payment Date by such Registered Owner.

In the event any Bond is redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Bond in the principal amount of said Bond then Outstanding.

**Section 3.02. Execution of Bonds.** The 2010 Series A Bonds shall be executed in the name of the Issuer by the Chairman, by his or her manual or facsimile signature, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

**Section 3.03. Authentication and Registration.** No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in **Exhibit A** – BOND FORM attached hereto and incorporated herein by reference with respect to the

2010 Series A Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the 2010 Series A Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform commercial code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the 2010 Series A Bonds remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Bonds. Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Bond, there shall be issued at the option of the Holder or transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a 2010 Series A Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Bonds, the Registrar may impose a service charge. For every such transfer or exchange of bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any 2010 Series A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, upon the Holder's furnishing the Issuer and Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellations shall be given to the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by any one, and such duplicated Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the Revenues pledged herein with all other Bonds issued hereunder.

Section 3.06. Term Bonds. In the event Term Bonds are issued pursuant to this Resolution, the following provisions shall apply:

A. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the 2010 Series A Bonds Redemption Account in accordance with Subsection 4.03A(2) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month with is 12 months prior to the first mandatory Redemption Date of said Term Bonds, a sum equal to  $1/12^{\text{th}}$  of the amount required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in Certificate of Determination relating thereto.

B. At its option, to be exercised on or before the 60<sup>th</sup> day next preceding any such mandatory Redemption Date, the Issuer may (a) deliver to the Registrar for cancellation such Term Bonds in any aggregate principal amount desired or (b) receive a credit in respect of its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than pursuant to this section) and canceled by the Registrar and not theretofore applied as a credit against any such mandatory redemption obligation. Each Term Bond so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and Term Bonds delivered in excess of such mandatory redemption obligation shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

C. The Issuer shall on or before the 60<sup>th</sup> day next preceding each mandatory Redemption Date furnish the Registrar and the Bond Commission with its certificate indicating whether and to what extent the provisions of (a) and (b) of the preceding paragraph are to be utilized with respect to such mandatory redemption payment and stating, in the case of the credit provided for in (b) of the preceding paragraph, that such credit has not theretofore been applied against any mandatory redemption obligation.

D. After said 60<sup>th</sup> day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the moneys in the 2010 Series A Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

E. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the 2010 Series A Bonds Sinking Fund), as will exhaust as nearly as practicable such 2010 Series A Bonds Redemption Account payment designated to be made in accordance with paragraph (A) of this section. Such redemption shall be by random selection made on the 45<sup>th</sup> day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "**Term Bonds**" shall include any portion of a fully registered Term Bond, in integrals of \$5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the 2010 Series A Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Original Purchaser and the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So Long as DTC (as CEDE & CO.) is the registered Owner of the 2010 Series A Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice. Copies of all redemption notices relating to optional redemption of the 2010 Series A Bonds shall also be sent to registered securities depositories and to *Standard & Poor's Called Bond Record*.

All official notices of redemption shall be dated and shall state:

- (1) The Redemption Date,
- (2) The Redemption Price,

(3) If less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amount) of the Bonds to be redeemed,

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar, and

(6) Such other information, if any as shall be required for DTC-Eligible Bonds.

If funds sufficient to redeem all Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject to the deposit of such money with the Paying Agent on or before the Redemption Date. If such moneys are not so deposited, the Registrar shall notify all holders of Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal of such Bond. All Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Bonds, and the failure to mail or otherwise send such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

Section 3.08. Persons Treated as Owners. The Issuer, the Registrar and any agent of the Issuer or the Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of, and interest on, such Bond and for all other purposes, whether or not such Bond is overdue.

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary

form shall be entitled to the lien and benefit created under this Resolution. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, registers, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

Section 3.10. Authorization of Bonds. For the purposes of paying a portion of the costs of refunding all of the Bonds to be Refunded of the Issuer, funding the 2010 Series A Bonds Reserve Account and paying costs in connection therewith, there shall be issued the 2010 Series A Bonds of the Issuer, in an aggregate principal amount of not more than \$1,975,000. The 2010 Series A Bonds shall be designated "Sewer Refunding Revenue Bonds, 2010 Series A" and shall be issued in fully registered form, in Authorized Denominations for any year of maturity, not exceeding the aggregate principal amount of 2010 Series A Bonds maturing in the year of maturity for which the denomination is to be specified. The 2010 Series A Bonds shall be numbered from AR-1 consecutively upward. The 2010 Series A Bonds shall be dated; shall be in such aggregate principal amount; shall bear interest at such rate or rates, not exceeding the then legally permissible rate, payable semiannually on such dates; shall mature on such dates and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein.

Section 3.11. Book Entry System for Bonds.

The Bonds shall be initially issued in the name of Cede & Co., as nominee for DTC as the initial Securities Depository and registered owner of such Bonds, and held in the custody of the Securities Depository. A single certificate will be issued and delivered to the Securities Depository, or a custodian thereof, for the Bonds. The Beneficial Owners will not receive physical delivery of Bond certificates except as provided herein. For so long as the Securities Depository shall continue to serve as securities depository for such Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only on the records of the Securities Depository, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of such Bonds is to receive, hold or deliver any Bond certificate. The Issuer and Paying Agent will recognize the Securities Depository or its nominee as the Bondholder of such Bonds for all purposes, including payment, notices and voting.

The Issuer and the Paying Agent covenant and agree, so long as DTC shall continue to serve as Securities Depository for the Bonds, to meet the requirements of DTC with respect to required notices and other provisions of any letter of representations executed with respect to, or any blanket letter of representations applicable to, the Bonds.

The Issuer and the Paying Agent may conclusively rely upon (i) a certificate of the Securities Depository as to the identity of the Participants in the Book-Entry-System and (ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined by a book-entry at the Securities Depository, the requirements in this Resolution of holding,



delivering or transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or registering the transfer of the book-entry to produce the same effect. Any provision hereof permitting or requiring delivery of Bonds shall, while the Bonds are in a Book-Entry System, be satisfied by the notation on the books of the Securities Depository in accordance with applicable law.

The Paying Agent and the Issuer may from time to time appoint a successor Securities Depository and enter into an agreement with such successor Securities Depository to establish procedures with respect to the Bonds consistent with current industry practice. Any successor Securities Depository shall be a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended.

The Issuer nor the Paying Agent will have any responsibility or obligation to any Securities Depository, any Participants in the Book-Entry System or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the Securities Depository or any Participant; (ii) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or Purchase Price of, or interest on, any Bonds; (iii) the delivery of any notice by the Securities Depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (v) any other action taken by the Securities Depository or any Participant.

Bond certificates are required to be delivered to and registered in the name of the Beneficial Owner if the Securities Depository determines to discontinue providing its service with respect to the Bonds and no successor Securities Depository is appointed as described above. Such a determination may be made at any time by giving 30 days' notice to the Issuer, and the Paying Agent and discharging its responsibilities with respect thereto under applicable law.

The Paying Agent is hereby authorized to make such changes to the form of the Bond attached hereto as Exhibit A which are necessary or appropriate to reflect whether the Book-Entry System is not in effect, that a successor Securities Depository has been appointed.

If at any time, the Securities Depository ceases to hold the Bonds, all references herein to the Securities Depository shall be of no further force or effect.

Section 3.12. Delivery of Bonds. The Issuer shall execute and deliver the 2010 Series A Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the 2010 Series A Bonds to the Original Purchaser upon receipt of the documents set forth below:

(A) A list of the names in which the 2010 Series A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(B) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the 2010 Series A Bonds to the Original Purchaser;

- (C) Copy of this Resolution certified by the Secretary;
- (D) Copy of the Certificate of Determination;
- (E) The unqualified approving opinion upon the 2010 Series A Bonds by Bond Counsel;  
and
- (F) A copy of the Escrow Agreement and such other documents, certifications and verifications as the Original Purchaser may reasonably require.

Section 3.13. Form of Bonds. The definitive 2010 Series A Bonds shall be in substantially the form set forth in Exhibit A – BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variation as are approved by those officers executing such 2010 Series A Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval.

Section 3.14. Disposition of Proceeds of Bonds. Upon the issuance and delivery of the 2010 Series A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follow:

A. All interest accrued on the 2010 Series A Bonds from the date thereof to the date of delivery thereof shall be deposited in the 2010 Series A Bonds Sinking Fund and applied to payment of interest on the 2010 Series A Bonds on the first Interest Payment Date.

B. An amount of the proceeds of the 2010 Series A Bonds which together with other moneys or securities deposited therein and the earnings thereon, shall be sufficient to accomplish the refunding and defeasance of the Bonds to be Refunded (which amount shall be set forth in the Escrow Agreement) shall be deposited in the Escrow Deposit Fund.

C. An amount of the proceeds of the 2010 Series A Bonds equal to the 2010 Series A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the 2010 Series A Bonds Reserve Account; provided that, to the extent the 2010 Series A Bonds Reserve Requirement is satisfied in whole or in part from proceeds of any fund or account established for the Bonds to be Refunded pursuant to the 1998 Resolution, proceeds of the 2010 Series A Bonds shall be deposited in the 2010 Series A Bonds Reserve Account only to the extent needed to satisfy the balance of the 2010 Series A Bonds Reserve Requirement.

D. An amount of the proceeds of the 2010 Series A Bonds which shall be sufficient to pay all costs of issuance shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the 2010 Series A Bonds and miscellaneous costs of refunding the Bonds to be Refunded at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys not to be applied immediately to pay such costs of issuance and refunding may be invested in accordance with this Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the 2010 Series A Bonds Redemption Account. All such

proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such money until so applied in favor of the Holders of the 2010 Series A Bonds.

E. The balance of any proceeds of the 2010 Series A Bonds and any moneys in any fund or account established for the Bonds to be Refunded pursuant to the 1998 Resolution, not used for any of the purposes set forth above, shall be deposited in the 2010 Series A Bonds Redemption Fund and applied to redeem the 2010 Series A Bonds on the first redemption date. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such moneys until so applied in favor of the Holders of the 2010 Series A Bonds.

Section 3.15. Designation of Bonds as "Qualified Tax-Exempt Obligations". The Issuer hereby designates the 2010 Series A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and covenants that the 2010 Series A Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and that not more than \$30,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations issued to currently refund any obligations of the Issuer to the extent the amount of the refunding obligation does not exceed the amount of the refunded obligation and private activity bonds, as defined in Section 141 of the Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Code), including the 2010 Series A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2010.

## ARTICLE IV

### FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds or accounts are hereby created with (or continued if previously established), and shall be held by, the Depository Bank, segregated and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

- (1) Revenue Fund (established by the resolution authorizing the Series 1988B Bonds);
- (2) Renewal and Replacement Fund (established by the resolution authorizing the Series 1988B Bonds);
- (3) Costs of Issuance Fund, and
- (4) Rebate Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. Pursuant to this Article IV, the following special funds or accounts are hereby created for the 2010 Series A Bonds (or continued if previously established), and shall be held by, the Bond Commission, separate and apart from all other funds or accounts of the Bond Commission and the Issuer and from each other:

- (1) 2010 Series A Bonds Sinking Fund;
- (2) Within the 2010 Series A Bonds Sinking Fund, the 2010 Series A Bonds Reserve Account; and
- (3) Within the 2010 Series A Bonds Sinking Fund, the 2010 Series A Bonds Redemption Account.

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

- (1) The Issuer shall first each month pay from the Revenue Fund the Operating Expenses of the System.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) the amounts required by the Prior Resolutions to pay the interest, if any, on and the principal of the Prior Bonds; (iii) commencing 6 month prior to the first Interest Payment Date on the 2010 Series A Bonds, for deposit in the 2010 Series A Bonds

Sinking Fund, a sum equal to  $1/6^{\text{th}}$  of the amount of interest which will become due on the 2010 Series A Bonds on the next ensuing semiannual Interest Payment Date; provided that, in the event the period to elapse between the date of such initial deposit in the 2010 Series A Bonds Sinking Fund and the next ensuing semiannual Interest Payment Date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual Interest Payment Date, the required amount of interest coming due on such date; and provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the 2010 Series A Bonds Sinking Fund shall be reduced by the amount of accrued interest, if any, on the 2010 Series A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the 2010 Series A Bonds Sinking Fund shall be reduced by the amount of any earning credited to the 2010 Series A Bonds Sinking Fund; and (iv) commencing 12 months prior to the first Principal Payment Date or mandatory Redemption Date of the 2010 Series A Bonds for deposit in the 2010 Series A Bonds Sinking Fund, and in the 2010 Series A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed, a sum equal to  $1/12^{\text{th}}$  of the amount of principal which will mature or be redeemed and become due on the 2010 Series A Bonds on the next ensuing Principal Payment Date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the 2010 Series A Bonds Sinking Fund and the next ensuing annual Principal Payment Date or mandatory Redemption Date is less than or greater than 12 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing annual Principal Payment Date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earning credited to the 2010 Series A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the respective Reserve Accounts for the Prior Bonds, the amounts required by the Prior Resolutions; and (iii) for deposit in the 2010 Series A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the 2010 Series A Bonds Reserve Account below the 2010 Series A Bonds Reserve Requirement or any withdrawal from the 2010 Series A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the 2010 Series A Bonds Reserve Account results in a determination that the amount of moneys and the value of the Qualified Investments deposited to the credit of the 2010 Series A Bonds Reserve Requirement is less than the 2010 Series A Bonds Reserve Requirement, or (b) any amount is withdrawn from the 2010 Series A Bonds Reserve Account for deposit into the 2010 Series A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefore, the amount so deposited shall be used to restore the amount on deposit in the 2010 Series A Bonds Reserve Account to an amount equal to the 2010 Series A

Bonds Reserve Requirement to the full extent that such Net Revenues are available; provided, that no payments shall be required to be made into the 2010 Series A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the 2010 Series A Bonds Reserve Requirement.

(4) The Issuer shall next from the moneys remaining in the Revenue Fund (as previously set forth in the 1998 Resolution and not in addition thereto), on the first day of each month, transfer to the Renewal and Replacement Fund, a sum equal to 2 ½% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in Qualified Investments. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required) shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the 2010 Series A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the 2010 Series A Bonds as the same shall become due, whether by maturity or redemption prior to maturity. Amounts in the 2010 Series A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the 2010 Series A Bonds when due, when amounts in the 2010 Series A Bonds Sinking Fund are insufficient therefor and for no other purpose.

The Issuer shall not be required to make any further payments into the 2010 Series A Bonds Sinking Fund or the 2010 Series A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of 2010 Series A Bonds issued pursuant to this Resolution then Outstanding, plus the amount of interest due or thereafter to become due on the 2010 Series A Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the 2010 Series A Bonds are issued, provision shall be made for additional payments into the respective sinking fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at or before maturity and to accumulate a balance in the respective reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of such additional parity Bonds.

The payments into the 2010 Series A Bonds Sinking Fund shall be made on the first day of each month, except that, when the first day of any month shall be a Saturday, Sunday or legal holiday, then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Bond Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution.

The Issuer shall restore any withdrawals from the 2010 Series A Bonds Reserve Account which have the effect of reducing the assets therein below the 2010 Series A Bonds Reserve Requirement from the Net Revenues available after all required payment have been made in full in the order set forth above.

Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds and the 2010 Series A Bonds, in accordance with the respective principal amounts then Outstanding.

The Bond Commission is hereby designated as the fiscal agent for the administration of the 2010 Series A Bonds Sinking Fund and the 2010 Series A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

C. The Issuer shall remit from the Revenue Fund to the Bond Commission the Registrar, the Paying Agent or the Depository Bank, on such dates as the Bond Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay any charges and fees then due.

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund and the Renewal and Replacement Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

E. If on any monthly payment date the Net Revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 4.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

F. All remittances made by the Issuer to the Bond Commission shall clearly identify the fund or account into which each amount is to be deposited.

G. The Gross Revenues of the System shall only be used for purposes of the System.

## ARTICLE V

### INVESTMENTS; NON-ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS

Section 5.01. Investments. The Issuer shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any moneys held as a part of the funds and accounts created by this Resolution in Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The Issuer shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Issuer may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under this section:

(A) Qualified Investments acquired for the 2010 Series A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to semiannually transfer from the 2010 Series A Bonds Reserve Account to the 2010 Series A Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the requirement therefore; provided, however, that there shall at all times remain on deposit in the Series A Bonds Reserve Account an amount at least equal to the Series A Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the 2010 Series A Bonds Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the 2010 Series A Bonds Reserve Account shall, at any time, be less than the applicable requirement therefore and such deficiency shall be made up from the first available Net Revenues in the order set forth in Section 4.03 hereof.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the 2010 Series A Bonds and invested



only in Government Obligations maturing at such times and in such amounts as are necessary to match the interested payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the 2010 Series A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia State Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended.

Section 5.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the 2010 Series A Bonds in such manner and to such extent as may be necessary, so that the 2010 Series A Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the 2010 Series A Bonds) so that the interest on the 2010 Series A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.03. Tax Certificate and Rebate. A. The Issuer shall deliver a certificate of arbitrage, a Tax Certificate or other similar relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the 2010 Series A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the 2010 Series A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

B. The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with section 148(f) of the code. Upon completion of each such annual calculation, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be from time to time in effect, with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by The Issuer to the United States, on a timely basis, from any funds lawfully available therefore. The Issuer at its expense, may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the

Issuer may deem appropriate in order to assure compliance with this Section 5.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and the required amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the 2010 Series A Bonds from gross income for federal income tax purposes.

## ARTICLE VI

### ADDITIONAL REPRESENTATIONS AND COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the 2010 Series A Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Holders of the 2010 Series A Bonds, as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the 2010 Series A Bonds, or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The 2010 Series A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Net Revenues of the System, the moneys in the 2010 Series A Bonds Sinking Fund and the 2010 Series A Bonds Reserve Account therein, and the unexpended proceeds of the 2010 Series A Bonds, all as herein provided. No Holder or Holders of the 2010 Series A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the 2010 Series A Bonds or the interest thereon.

Section 6.03. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the 2010 Series A Bonds and all other obligations secured by a lien on or payable from such revenues prior to on a parity with the 2010 Series A Bonds including the Prior Bonds.

Section 6.04. Operation and Maintenance. The Issuer will operate and maintain the system as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

Section 6.05. Sale of System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the system, or any part thereof, except as provided in the Prior Resolutions authorizing the Prior Bonds. Additionally, so long as the 2010 Series A

Bonds are outstanding and except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Resolution in accordance with Article IX hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the 2010 Series A bonds, immediately be remitted to the Bond Commission for deposit in the 2010 Series A Bonds Sinking Fund, and the Issuer shall direct the Bond Commission to apply such proceeds to the payment of principal of and interest on the 2010 Series A Bonds. Any balance remaining after the payment of the 2010 Series A Bonds and interest thereon shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefore, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000 the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof any may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of \$10,000 and not in excess of \$50,000, shall with the written consent of the Authority, be remitted by the Issuer to the Bond Commission for deposit in the Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as otherwise provided in Section 6.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank

prior to, or equally, as to lien on and source of and security for payment from such revenues with the 2010 Series A Bonds. All obligations issued by the Issuer after the issuance of the 2010 Series A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the 2010 Series A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the 2010 Series A Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the 2010 Series A Bonds and the interest thereon, if any, in this Resolution, or upon the System or any part thereof.

Section 6.07. Additional Parity Bonds and Subordinate Debt. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions authorizing the Prior Bonds shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the 2010 Series A Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided (unless less restrictive than the provisions of the resolutions authorizing the Prior Bonds).

All Parity Bonds issued hereunder shall be on a parity in all respects with the 2010 Series A Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions and improvements to the System or refunding any series of Bonds, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

- (1) The Bonds then Outstanding:
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates adopted by the Issuer and approved by the Public Service Commission of West Virginia, the period for appeal of which has expired prior to the date of issuance of such additional parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate construction or acquisition of such extensions or improvements, if any, to the System that are to be financed by such Parity Bonds.

All covenants and other provisions of this Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Resolution required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the 2010 Series A Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the 2010 Series A Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Resolution with respect to the Bonds then Outstanding, and any other payments provided for in this Resolution, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Resolution.

Any certifications requiring computations establishing that debt service coverage is sufficient to support the issuance of parity Additional Bonds or that requisite debt service savings are available shall be made by an independent certified public accountant or firm of independent certified public accountants.

No additional bonds, notes, certificates, contracts or any other obligations shall be issued by the Issuer unless no Event of Default shall have occurred and be continuing with respect to the Bonds.

Any debt of the Issuer which is subordinate to the lien of the Bondholders on the Net Revenues, shall provide that such debt may not be accelerated, except in instances when no indebtedness of the Issuer under this Resolution (herein called "Superior Indebtedness") is outstanding. The indebtedness evidenced by the subordinated debt and any renewals or extensions thereof, shall at all times be wholly subordinate and junior in right of payments to any Superior Indebtedness, in the manner and with the force and effect hereafter set forth:

(1) In the event of any liquidation, dissolution or winding up of the Issuer, or of any execution, sale, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization, or other similar proceeding relative to the Issuer or its property, all principal and interest owing on all Superior Indebtedness shall first be paid in full before any payment is made upon the indebtedness evidenced by the subordinated debt, provided, however, that, except for the Net Revenues, this sentence shall not apply to payments made on such subordinated indebtedness from the proceeds of collateral specifically securing such subordinated debt, and in any such event and any payment or distribution of any kind or character from sources other than the proceeds of collateral specifically securing the subordinated debt, except for the Net Revenues, whether in cash, property or securities (other than in securities, including equity securities, or other evidences of indebtedness, the payment of which is subordinated to the payment of all Superior Indebtedness which may at the time be outstanding) which shall be made upon or in respect of the subordinated debt shall be paid over to the holders of such Superior Indebtedness, pro rata, for application in payment thereof unless and until such Superior Indebtedness shall have been paid or satisfied in full.

(2) In the event that the subordinated debt is declared or become due and payable because of the occurrence of any event of default or otherwise that at the option of the Issuer, under circumstances when the foregoing clause (1) shall not be applicable, the holders of the subordinated debt shall be entitled to payments only after there shall first have been paid in full all Superior Indebtedness outstanding at the time the subordinated debt so become due and payable because of any such event, or payment shall have been provided for in a manner satisfactory to the holders of such Superior Indebtedness, provided, however that, except for the Net Revenues, this sentence shall not apply to payments made on such subordinated indebtedness from the proceeds of collateral specifically and solely securing such subordinated debt.

Section 6.09. Insurance and Bonds. So long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance, bonds and worker's compensation coverage with a reputable insurance carrier or carriers or bonding company or companies covering the following risks and in the following amounts.

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the

repairs and restoration of the damaged and destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the Issuer from claims for body injury and/or death and not less than \$500,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

C. WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Issuer and such payment bonds will be filed with the Clerk of the County Commission of the County in which such work is to be performed prior to commencement of construction of any additions, extensions or improvements for the System in compliance with West Virginia Code Section 38-2-39.

D. FLOOD INSURANCE, if the facilities of the System are or will be located in designated special flood or mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

E. BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

F. FIDELITY BONDS will be provided as to every officer, member and employee of the Issuer or the Governing Body having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

Section 6.10. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and, in the event the Issuer or any department, agency, instrumentality, officer or employee thereof shall avail himself or themselves of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.11. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.



Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid and to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, all delinquent rates, rentals and other changes, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System and any services and facilities of the waterworks system, if so owned by the Issuer, to all delinquent users of services and facilities of the System and will not restore such services of the System (or waterworks system) until all billing for charges for the services and facilities of the System, plus reasonable interest penalty charges for the restoration of service, has been fully paid. If the waterworks system is not owned by the Issuer, the Issuer shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

Section 6.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or any body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles, to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books and along with other bookkeeping records as prescribed by the Issuer. The Issuer shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Issuer shall be reported to such agent of the Issuer as it shall direct.

The Issuer shall file with the Original Purchaser, and shall mail to any Bondholder requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The Issuer shall also file with the Original Purchaser, and mail to any Bondholder requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, and Net Revenues derived from the System.

(B) A statement of account balances in all funds and accounts provided for herein and status of said funds.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Accountants in compliance with OMB Circular 128 or any successor thereto and the Single Audit Act, shall mail upon request, and make available generally, the report of said Independent Accountants, or a summary thereof, to any Holder or Holders of Bonds issued pursuant to this Resolution and shall file said report with the Original Purchaser.

Section 6.14. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date, prepare and adopt by resolution a detailed budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of such a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.15. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Division of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Division of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 6.16. Statutory Mortgage Lien. For the further protection of the Holders of the 2010 Series A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the 2010 Series A Bonds, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 6.17. Continuing Disclosure Agreement. The Issuer shall deliver a continuing disclosure agreement or certificate in form acceptable to the Original Purchaser. The Issuer has covenanted to comply with and carry out all of the provisions of the Continuing Disclosure Agreement with respect to the Bonds that complies with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission (as amended from time to time, the "Rule"), in form and substance satisfactory to the Participating Underwriter (as defined in the Rule). Notwithstanding any other provision of this Resolution, failure of the Issuer to enter into and comply with such Continuing Disclosure Agreement shall not be considered an Event of Default.

## ARTICLE VII

### DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the 2010 Series A Bonds.

(A) If default occurs in the due and punctual payment of the principal of or interest on the 2010 Series A Bonds;

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Resolution or the Certificate of Determination or in the 2010 Series A Bonds contained, and such default shall have continued for a period of 30 days after written notice mailed or by Electronic Means (other than a telephonic communication), specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder;

(C) If the Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America; or

(D) If default occurs with respect to the Prior Bonds or the Prior Resolutions authorizing the Prior Bonds.

The Issuer must cure any covenant default within 30 days after notice of the default, and failure (i) to pay principal of or interest on the Bonds, or (ii) to comply with the Subordinate Debt provisions shall be an immediate event of default.

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular:

(A) Bring suit for any unpaid principal or interest then due;

(B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the Issuer to perform its duties under the Act and this Resolution;

(C) Bring suit upon the Bonds;

(D) By action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; and

(E) By action or bill in equity enjoin any acts in violation of this Resolution or the rights of the Bondholders.

No remedy by the terms of this Resolution conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative

and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute. All rights and remedies of the Holders of the 2010 Series A Bonds shall be on a parity with those of the Holders of the Prior Bonds and senior and prior to the rights and remedies in favor of the Holders of the Notes.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by the Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03. Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of this Resolution and the Act.

The receiver so appointed shall forthwith, directly or by his agents and attorneys, enter into and upon and take possession of all facilities of the System and shall hold, operate, maintain, and manage and control such facilities, and each and every part thereof, and in the name of the Issuer exercise all the rights and powers of the Issuer with respect to said facilities as the Issuer itself might do.

Whenever all that is due upon the Bonds issued pursuant to this Resolution and interest thereon and under any covenants of this Resolution for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Resolution shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Holders of the Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Bondholders, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Section 7.04. Restoration of Issuer and Bondholder. In case any Bondholder shall have proceeded to enforce any right under this Resolution by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Bondholder shall be restored to their former positions and rights hereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

## **ARTICLE VIII**

### **REGISTRAR AND PAYING AGENT**

**Section 8.01. Agreement with Registrar.** The Issuer is hereby authorized and directed to enter into an agreement with the Registrar. The substantial form of which agreement shall be approved by the Certificate of Determination.

**Section 8.02. Responsibilities of Registrar.** The recitals of fact in the 2010 Series A Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any 2010 Series A Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the 2010 Series A Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Resolution and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

**Section 8.03. Evidence on Which Registrar May Act.** Except as otherwise provided by Section 10.02, the Registrar shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever the Registrar shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Issuer, but in its discretion the Registrar may instead accept other evidence of such fact or matter.

**Section 8.04. Compensation and Expenses.** The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Bonds, the first exchange of Bonds and the exchange of Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

**Section 8.05. Certain Permitted Acts.** The Registrar may become the owner of or may deal in 2010 Series A Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the 2010 Series A Bonds or this Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the 2010 Series A Bonds Outstanding.

**Section 8.06. Resignation of Registrar.** The Registrar may at any time resign and be discharged of its duties and obligations under this Resolution by giving not less than 60 days' written notice by mail or Electronic Means (other than telephonic communication) to the Issuer and publishing in an Authorized Newspaper notice (or mailing such notice to each Bondholder in the event all 2010 Series A Bonds are fully registered), specifying the date when such resignation shall

take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed or sent by Electronic Means to each owner of a fully registered Bond. Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which even such resignation shall take effect immediately.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer or by the Holders of the Bonds of a majority in principal amount of the 2010 Series A Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar.

Section 8.08. Appointment of Successor. In case at any time the Registrar shall resign or shall be removed or shall become incapable or acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the 2010 Series A Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall publish in an Authorized Newspaper (or mail to each Bondholder in the event all 2010 Series A Bonds are fully registered) notice of any such appointment within 20 days after the effective date of such appointment. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provision of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Resolution.

Section 8.09. Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and deliver any moneys, books and records held by it to its successor.

Section 8.10. Merger or Consolidation. Any company into which the Registrar may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Registrar or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Registrar without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 8.08.



Section 8.11. Adoption of Authentication. In case any of the 2010 Series A Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and in case any 2010 Series A bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

Section 8.12. Paying Agent. The Issuer is hereby authorized and directed to enter into an agreement with the Paying Agent, the substantial form of which agreement is to be approved by the Certificate of Determination of the Issuer. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Resolution. Such alternated Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Bonds shall be and remain DTC-eligible.

Each Paying Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by such Paying Agent in connection with such services solely from moneys available therefor.

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Resolution. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

The Paying Agent shall enjoy the same protective provisions in the performance of its duties hereunder as are specified in this Article VIII with respect to the Registrar, insofar as such provisions may be applicable.

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 8.08 hereof with respect to the appointment of a successor Registrar.

All moneys received by the Paying Agent shall, until used or applied as provided in this Resolution, be held in trust for the purposes for which they were received.

## ARTICLE IX

### **DEFEASANCE; DISCHARGE OF PLEDGE OF RESOLUTION**

Section 9.01. Defeasance: Discharge of Pledge of Resolution. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all 2010 Series A Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then this Resolution and the pledges of the Net Revenues and other moneys and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the 2010 Series A Bonds made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, except as may be necessary to assure the exclusion of interest on the 2010 Series A Bonds from gross income for federal income tax purposes.

The 2010 Series A Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on the 2010 Series A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All 2010 Series A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Bond commission or an escrow trustee either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on the 2010 Series A Bonds on and prior to the Maturity Date thereof, or if the Issuer irrevocably determines to redeem any of the 2010 Series A Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor moneys deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the 2010 Series A Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of an redemption premium, if any, and interest to become due on the 2010 Series A Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations, as such term is limited by the provisions in Section 1.01 hereof or such additional securities as shall be set forth in the Certificate of Determination.

## **ARTICLE X**

### **MISCELLANEOUS**

**Section 10.01. Amendment of Resolution.** Prior to issuance of the 2010 Series A Bonds, this Resolution may be amended or supplemented in any way by a Supplemental Resolution. Following issuance of the 2010 Series A Bonds, this Resolution may be amended or modified by a Supplemental Resolution without the consent of any Bondholder or other person, so long as such amendment or modification is not materially adverse to any Bondholder, as determined by an opinion of Bond Counsel. No Materially adverse amendment or modification to this Resolution, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the 2010 Series A Bonds then Outstanding and affected thereby, which must be filed with the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any 2010 Series A Bond without the express written consent of the Holder of each 2010 Series A Bond so affected, nor reduce the percentage of 2010 Series A Bonds required for consent to any such modification or amendment.

**Section 10.02. Evidence of Signatures of Bondholders and Ownership of Bonds.** Any request, consent, revocation of consent or other instrument which this Resolution may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Resolution if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

A. The fact and date of the execution by any Bondholder or his attorney of any such instrument may be proved (i) by the certificate of a notary public or other officer authorized to take acknowledgments of deeds to be recorded in the jurisdiction in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer or (ii) by the certificate, which need not be acknowledged or verified, of an officer of a bank, a trust company or a financial firm or corporation satisfactory to the Issuer or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

B. The authority of a person or persons to execute any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or treasurer or a vice-president or an assistant treasurer of such corporation with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary.

C. The amount of fully registered Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

Any request, consent or other instrument executed by the Holder of any Bond shall bind all future Holders and owners or such Bond in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 10.03. Preservation and Inspection of Documents. To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Resolution shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Bondholder, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Resolution shall be discharged as provided in Section 9.01.

Section 10.04. Cancellation of Bonds. All Bonds purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Bonds shall be deemed Outstanding under this Resolution and no Bonds shall be issued in lieu thereof. All such Bonds shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Bonds. Anything in this Resolution to the contrary notwithstanding, any moneys held by the Bond Commission or Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for 1 year after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such moneys then unclaimed will be returned to the Issuer. If any of said Bonds is a coupon Bond, the Registrar or said Paying Agent shall also publish such notice, not less than 30 days prior to the date such moneys will be returned to the Issuer, in an Authorized Newspaper.

Section 10.06. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Paying Agent, the Depository Bank, the Original Purchaser shall be in writing and shall be properly made if sent by united States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is

required to be directed as indicated below or by Electronic Means (other than a telephonic communication):

ISSUER

Jefferson County Public Service District  
340 Edmonds Road, Suite A  
Kearneysville, West Virginia 25430  
Attention: Chairman

REGISTRAR AND PAYING AGENT

[To be set forth in the Certificate of Determination.]

DEPOSITORY BANK

[To be set forth in the Certificate of Determination.]

ORIGINAL PURCHASER

Crews & Associates, Inc.  
Capital Markets Group  
300 Summers Street, Suite 930  
Charleston, West Virginia 25301  
Attention: Public Finance

Any party listed above may change such address listed for it at any time upon notice of change sent by United States mail, postage prepaid, or by Electronic Means to the other parties.

Section 10.07. No Personal Liability. No member of the Issuer or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Resolution.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Resolution and of all Bonds issued hereunder.

Section 10.09. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the 2010 Series A Bonds and the Original Purchaser, any right, remedy or claim under or by reason of this Resolution. All the covenants, stipulations, promises and agreements contained in this Resolution by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the 2010 Series A Bonds and the Original Purchaser.

Section 10.10. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Resolution.


Section 10.11. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.


Section 10.12. Conflicting Provisions Repealed. All orders, resolutions or parts thereof in conflict with the provisions of this Resolution, are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between this Resolution and the Prior Resolutions authorizing the Prior Bonds, the Prior Resolutions shall control, unless less restrictive, so long as the Prior Bonds are Outstanding.

Section 10.13. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do Exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto, and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with the Resolution occurred and are duly in office.

Section 10.14. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 6<sup>th</sup> day of April, 2010

  
Chairman

  
Member

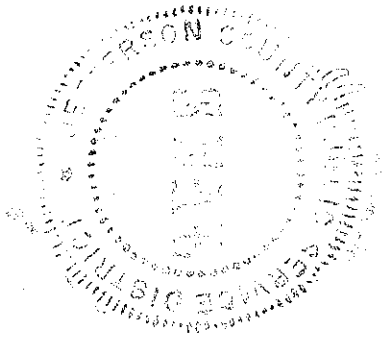
  
Member


CERTIFICATION

Certified a true, correct and complete copy of a Resolution duly adopted by the Public Service Board of Jefferson County Public Service District on the 6th day of April, 2010.

Dated this 24<sup>th</sup> day of June, 2010.

[SEAL]



  
Secretary

2074040  
12123.22

EXHIBIT A – BOND FORM

*Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co. has an interest herein.*

No. AR-\_\_\_\_\_

\$\_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BOND  
2010 SERIES A

INTEREST RATE  
NO.

MATERITY DATE

BOND DATE

CUSIP

\_\_\_\_\_%

October 1, 2028

\_\_\_\_\_, 2010

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which



case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on \_\_\_\_\_ 1 and \_\_\_\_\_ 1, in each year, beginning \_\_\_\_\_ 1, 2011 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalization terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by \_\_\_\_\_, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each \_\_\_\_\_ 15 and \_\_\_\_\_ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by \_\_\_\_\_, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least \$500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in \_\_\_\_\_, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of \$ \_\_\_\_\_ designated "Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, date \_\_\_\_\_ 1, \_\_, the proceeds of which are to be used, together with other funds of the Issuer, (i) to currently refund all of the Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, of the Issuer outstanding in the total aggregate principal amount of \$ \_\_\_\_\_ (the "Bonds to be Refunded"), which were issued to (i) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the public sewerage system of the Issuer (the "System"); (ii) to fund a reserve account for the Bonds; and (iii) to pay certain costs of issuance of the Bonds and related costs. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on April 6, 2010 (the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the

Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the Office of the Issuer.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF THE SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING SEWER REVENUE BONDS OF THE ISSUER: (I) SEWER REVENUE BONDS, SERIES 1988B, DATED MAY 5, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$425,767 (THE "SERIES 1988B BONDS"), (II) SEWER REVENUE BONDS, SERIES 1993A (WEST VIRGINIA SRF PROGRAM), DATED NOVEMBER 10, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$971,000 (THE "SERIES 1993A BONDS"), (III) SEWER REVENUE BONDS, SERIES 1998B (WEST VIRGINIA SRF PROGRAM), DATED JUNE 25, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$599,089 (THE "SERIES 1998B BONDS"), (IV) SEWER REVENUE BONDS, SERIES 1998C (WEST VIRGINIA INFRASTRUCTURE FUND), DATED JUNE 25, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$662,039 (THE "SERIES 1998C BONDS"), (V) SEWER REVENUE BONDS, SERIES 1999A (WEST VIRGINIA SRF PROGRAM), DATED DECEMBER 8, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$378,363 (THE "SERIES 1999A BONDS"), (VI) SEWER REVENUE BONDS, SERIES 2000A (WEST VIRGINIA SRF PROGRAM), DATED JUNE 22, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,154,889 (THE "SERIES 2000A BONDS"), AND (VII) SEWER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA SRF PROGRAM), DATED JUNE 18, 2008, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$2,005,000 (THE "SERIES 2008A BONDS," AND COLLECTIVELY WITH THE SERIES 1988B BONDS, THE SERIES 1993A BONDS, THE SERIES 1998B BONDS, THE SERIES 1998C BONDS, THE SERIES 1999A BONDS, THE SERIES 2000A BONDS AND THE SERIES 2008 A BONDS, THE "PRIOR BONDS"). THE PRIOR BONDS ARE PAYABLE FROM AND SECURED BY NET REVENUES OF THE SYSTEM.

The Issuer also has outstanding its Refunding Sewerage System Bond Anticipation Notes, Series 2010, dated January 6, 2010, issued in the aggregate principal amount of \$750,000. The Notes are payable only from and secured by a first lien on (i) the proceeds of revenue bonds or other obligations of the Issuer to be issued subsequent to the issuance of the Notes to permanently finance the costs of the Project; (ii) the proceeds of any grants received by the Issuer for the Project, and (iii) the Surplus Revenues, if any, of the System. The Notes are subordinate in all respects to the Prior Bonds.

The Bonds of this issue are subject to redemption prior to their stated Maturity Dates, as provided in the Resolution and Certificate of Determination, as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are not subject to optional redemption prior to \_\_\_\_\_. At the option of the Issuer, the Bonds will be subject to redemption prior to maturity on and after \_\_\_\_\_, \_\_\_\_\_, as a whole at any time and in part on any Interest Payment Date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

|                                                  |                     |
|--------------------------------------------------|---------------------|
| Period During Which Redeemed<br>Dates Inclusive) | Redemption<br>Price |
| _____                                            | _____               |

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on \_\_\_\_\_, are subject to mandatory sinking fund redemption prior to maturing on \_\_\_\_\_ of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

| Bonds Maturing |                  |
|----------------|------------------|
| Year ( )       | Principal Amount |

| Bonds Maturing |                  |
|----------------|------------------|
| Year ( )       | Principal Amount |

| Bonds Maturing |                  |
|----------------|------------------|
| Year ( )       | Principal Amount |

Bonds Maturing

Year (     )

Principal Amount

---

\* Final Maturity

In the event of any redemption of less than all outstanding Bonds, Bonds shall be selected for redemption by lot or in such other manner deemed appropriate by the Paying Agent. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registrar or at such other address as is furnished in writing by such Registered Owner to the Registrar. A copy of such notice of redemption shall also be mailed to the Registrar. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Bond.

This Bond is payable from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and senior and prior to the Notes, and from moneys in the reserve account created under the Resolution for the Bonds (the "2010 Series A Bonds Reserve Account") and unexpected proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the 2010 Series A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and

to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Prior Bonds. Additional parity bonds may be issued under the conditions and within the limitations set forth in the Resolution.

All moneys received from the sale of this Bond except for accrued interest thereon shall be applied solely to refund the Bonds to be Refunded, fund a reserve account for the Bonds, and pay costs of issuance thereof, and there shall be, and hereby is, created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Bonds of which this Bond is one.

This Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Resolution.

This Bond, together with the interest thereon, is under the Act exempt from taxation by the State of West Virginia, and the other taxing bodies of the State.

This Bond has been designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication and registration thereon shall have been signed by the Registrar.

All provisions of the Resolution and the statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA) has caused this bond to be signed by its Chairman, and its corporate seal to be imprinted hereon and attested by its Secretary, and has caused this Bond to be dated, as of the Bond Date specified above.

[SEAL]

(Manual or Facsimile Signature)

Chairman

ATTEST:

(Manual or Facsimile Signature)

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the fully registered Bonds described in the written-mentioned Resolution and has been duly registered in the name of the Registered Owner on the date set forth below.

Dated: \_\_\_\_\_, 2010

\_\_\_\_\_  
as Registrar

By \_\_\_\_\_  
Its: Authorized Officer

ASSIGNMENT

Social Security or Other Identifying Number of Assignee \_\_\_\_\_

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_ the within Bond and does hereby irrevocably constitute and appoint

\_\_\_\_\_ to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
SIGNATURE GUARANTEED:

\_\_\_\_\_  
(Bank, Trust Company or Firm)

\_\_\_\_\_  
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.



EXHIBIT B- FORM OF CERTIFICATE OF DETERMINATION

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

CERTIFICATE OF DETERMINATION

The undersigned, \_\_\_\_\_, Chairman of the Jefferson County Public Service District (the "District"), in accordance with Sections 2.02 and 2.03 of the Bond Resolution adopted by the Board of the District (the "Board") on April 6, 2010 (the "Parameters Resolution"), with respect to the \$\_\_\_\_\_ Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "2010 Series A Bonds"), hereby determines, that:

1. The 2010 Series A Bonds shall be issued in the aggregate principal amount of \$\_\_\_\_\_, which is less than the \$1,975,000 principal amount approved by the Parameters Resolution.

2. The 2010 Series A Bonds shall mature on \_\_\_\_\_ 1, 20\_\_, which does not exceed the Maturity Date established by the Parameters Resolution.

3. The 2010 Series A Bonds shall bear interest upon original issuance at the rates set forth in Schedule A. The interest rates on the 2010 Series A Bonds upon original issuance do not exceed the maximum rate of 7.5% per annum established by the Parameters Resolution.

4. The 2010 Series A Bonds shall be subject to mandatory and optional redemption prior to maturity as set forth on the attached Schedule A.

5. The 2010 Series A Bonds shall be sold to Crews & Associates, Inc. (the "Underwriter") in accordance with the terms of the Purchase Contract dated \_\_\_\_\_, 2010 between the Underwriter and the Issuer, at an aggregate purchase price of \$\_\_\_\_\_ (representing par value less an underwriting discount of \$\_\_\_\_\_ and a net original issue discount of \$\_\_\_\_\_).

6. The 2010 Series A Bonds shall be dated \_\_\_\_\_, 2010.

7. The 2010 Series A Bonds shall be designated as set forth above.

The undersigned certifies that the foregoing terms and conditions of the 2010 Series A Bonds are within the limitations prescribed by Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended, and within the limits prescribed by the Parameters Resolution.

JEFFERSON COUNTY PUBLIC SERVICE  
DISTRICT

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_, 2010

## **SCHEDULE A TO EXHIBIT B**

### **CERTAIN DETAILS OF THE BONDS**

The Bonds shall bear interest (based on a 360-day year of twelve 30-day months) at the respective rates and shall mature on \_\_\_\_\_ 1 of the years and in the principal amounts set forth below:

| <b><u>Year</u></b> | <b><u>Principal<br/>Amount</u></b> | <b><u>Interest Rate</u></b> | <b><u>Yield</u></b> | <b><u>CUSIP</u></b> |
|--------------------|------------------------------------|-----------------------------|---------------------|---------------------|
|--------------------|------------------------------------|-----------------------------|---------------------|---------------------|

### **Redemption Provisions**

*Mandatory Sinking Fund Redemption.* The Bonds maturing \_\_\_\_\_ are subject to mandatory redemption, prior to their stated Maturity Date, in part, from payments deposited in the \_\_\_\_\_ Fund, on \_\_\_\_\_ 1 in the years set forth below. The redemption price will be 100% of the principal amount of the Bonds to be so redeemed plus accrued interest, if any, to the redemption date. On the following dates, such maturity of Bonds shall be redeemed or paid in the amounts set forth opposite each such date:

Maturing \_\_\_\_\_ 1, 20\_\_

Year

Principal Amount

\* Denotes final maturity

*Optional Redemption.* The Bonds are not subject to optional redemption prior to \_\_\_\_\_. At the option of the Issuer, the Bonds will be subject to redemption prior to maturity on and after \_\_\_\_\_, \_\_\_\_\_, as a whole at any time and in part on any Interest Payment Date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed  
Dates Inclusive)

Redemption  
Price

EXHIBIT C – FORM OF ESCROW AGREEMENT

\$ \_\_\_\_\_  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

ESCROW AGREEMENT

This ESCROW AGREEMENT, made and entered into as of \_\_\_\_\_, 2010, by and between JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (the “Issuer”) and the WEST VIRGINIA MUNICIPAL BOND COMMISSION (the “Commission” or the “Escrow Agent”).

WITNESSETH THAT:

WHEREAS, the Issuer presently owns and operates a public sewerage system (the “System”) and has heretofore financed the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of Prior Bonds (as hereinafter defined), including its Sewer Refunding Revenue Bonds, Series 1998A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 (the “Bonds to be Refunded”);

WHEREAS, the Issuer currently has outstanding its (i) Sewer Revenue Bonds, Series 1988B, dated May 5, 1988, issued in the original aggregate principal amount of \$425,767 (the “Series 1988B Bonds”), (ii) Sewer Revenue Bonds, Series 1993A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of \$971,000 (the “Series 1993A Bonds”), (iii) Sewer Revenue Bonds, Series 1998B (West Virginia SRF Program), dated June 2, 1998, issued in the original aggregate principal amount of \$599,089 (the “Series 1998B Bonds”), (iv) Sewer Revenue Bonds, Series 1998C (West Virginia Infrastructure Fund), dated June 2, 1998, issued in the original aggregate principal amount of \$662,039 (the “Series 1998C Bonds”), (v) Sewer Revenue Bonds, Series 1999A (West Virginia SRF Program), dated December 8, 1999, issued in the original aggregate principal amount of \$378,363 (the “Series 1999A Bonds”), (vi) Sewer Revenue Bonds, Series 2000A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of \$1,154,889 (the “Series 2000A Bonds”), and (vii) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated June 18, 2008, issued in the original aggregate principal amount of \$2,005,000 (the “Series 2008A Bonds,” and collectively with the Series 1988B Bonds, the Series 1993A Bonds, the Series 1998B Bonds, the Series 1998C Bonds, the Series 1999A Bonds, the Series 2000A Bonds and the Series 2008 A Bonds, the “Prior Bonds”).

WHEREAS, under the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the “Act”), the Issuer is authorized and empowered to issue

refunding revenue bonds for the purpose of retiring or refinancing all or any apart of the outstanding Bonds to be Refunded;

WHEREAS, the Issuer is advised that present value debt service savings will be realized as a result of the refunding of the Bonds to be Refunded;

WHEREAS, the Issuer has determined and hereby determines that it would therefore be to the benefit of the Issuer and its residents to refund the Bonds to be Refunded and to redeem the Bonds to be Refunded on the Redemption Date (hereinafter defined), in the manner set forth herein with proceeds of a series of bonds to be designated "Sewer Refunding Revenue Bonds, 2010 Series A" (the "2010 Bonds"), in the maximum aggregate principal amount of not more than \$1,975,000, together with other moneys of the Issuer;

WHEREAS, the Bonds to be Refunded were issued pursuant to a resolution of the Issuer duly adopted on February 26, 1998, as supplemented by a resolution of the Issuer duly adopted on February 26, 1998 (collectively, the "1998 Resolution");

WHEREAS, the Issuer has determined to issue its Sewer Refunding Revenue Bonds, 2010 Series A (the "2010 Series A Bonds") pursuant to a resolution adopted April 6, 2010 (the "Resolution"), and contemporaneously therewith, legally defease the Bonds to be Refunded by applying proceeds of the 2010 Series A Bonds and certain moneys of the Issuer ("Issuer's Funds") which shall be deposited in the Escrow Fund herein described;

WHEREAS, capitalized terms used herein and otherwise defined shall have the meanings set forth in the Resolution;

WHEREAS, the amounts deposited in the Escrow Fund delivered to the Escrow Agent simultaneously with the delivery of the 2010 Series A Bonds, are in such principal amount and mature and bear interest at such rates and are payable at such times and in such amounts as to insure the payment of the principal of and interest on the Bonds to be Refunded on the redemption date thereof, being \_\_\_\_\_, 2010 (the "Redemption Date"), the entire remaining principal amount of the Bonds to be Refunded then outstanding, together with a redemption premium and interest accrued thereon to such date (collectively, the "Redemption Price") and the Redemption Price is an amount sufficient to fully defease the Bonds to be Refunded pursuant to the Verification Report, dated \_\_\_\_\_, 2010, of \_\_\_\_\_, a firm of independent certified public accountants, attached hereto as EXHIBIT A – VERIFICATION REPORT (the "Verification Report"); and

WHEREAS, the Issuer has found it desirable to appoint the Escrow Agent and the Escrow Agent has agreed to such appointment for the purposes of receiving the deposits to the escrow fund (hereinafter defined) and disbursing to the paying agent such amounts as may be necessary to provide the Redemption Price on the Redemption Date;

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and in order further to secure payment of the Bonds to be Refunded, as heretofore provided, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives, successors and assigns, as follows:

1. There is hereby created and established with the Escrow Agent an irrevocable trust fund to be known as the "Escrow Fund," to be held in the custody of the Escrow Agent, separate and apart from all other funds of the Issuer and the Escrow Agent. The deposits of moneys in the Escrow Fund shall constitute an irrevocable deposit of said moneys in trust for, and such moneys, together with any income or interest earned thereon, shall be applied, except as otherwise provided herein, to the payment of the Redemption Price of the Bonds to be Refunded on the Redemption Date, all in accordance with paragraph 4 hereof.

2. Concurrently with the delivery of the 2010 Series A Bonds, the Commission shall transfer from the Bonds to be Refunded Sinking Fund the sum of \$\_\_\_\_\_ to the Escrow Agent for deposit into the Escrow Fund and from the Bonds to be Refunded Reserve Account the sum of \$\_\_\_\_\_ to the Escrow Agent for deposit into the Escrow Fund.

3. Concurrently with the delivery of the 2010 Series A Bonds, the Issuer and the Escrow Agent shall cause (i) 2010 Series A Bonds proceeds in the amount of \$\_\_\_\_\_, and (ii) the amount described in paragraph 2 above, on deposit with the Commission in the Bonds to be Refunded Sinking Fund and Reserve Account in the amount of \$\_\_\_\_\_ (total of \$\_\_\_\_\_) to be deposited in the Escrow Fund and shall be applied solely to the payment of the Bonds to be Refunded. \_\_\_\_\_, has certified, in its Verification Report, attached hereto as EXHIBIT A, that the cash in the Escrow Fund will be sufficient to pay the principal of and interest on the Bonds to be Refunded as the same become due, and on the Redemption Date. The monies in the Escrow Fund shall not be invested.

4. The Escrow Agent shall transfer from the Escrow Fund and deposit the Redemption Price directly with the paying agent for the Bonds to be Refunded, in immediately available funds on the Redemption Date.

5. The holders of the Bonds to be Refunded shall have an express lien on all money and assets in the Escrow Fund until paid out, used and applied in accordance with this Agreement.

6. Subject to the provisions of paragraph 15 hereof, 12 months after the payment of all amounts required to be paid pursuant to paragraph 4 of this Agreement, the amounts remaining in the Escrow Fund, if any, shall be deposited by the Escrow Agent in the 2010 Series A Bonds Sinking Fund, and applied to payment of the 2010 Series A Bonds.

7. The Escrow Agent shall be entitled to fees for services rendered under this Escrow Agreement and reasonable expenses as set forth in EXHIBIT B – ESCROW AGENT FEES, attached hereto. The Issuer shall pay from its own funds, to the Escrow Agent the amounts at the times set forth in EXHIBIT B. In no event shall such fees or expenses be paid from the Escrow Fund, nor shall the Escrow Agent or the paying agent have any lien whatsoever upon any of the moneys in the Escrow Fund for the payment of such fees or expenses.

8. The Issuer and the Escrow Agent independently hereby covenant that no part of the moneys or funds at any time in the Escrow Fund shall be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Bonds to be Refunded or the 2010 Series A Bonds to be an “arbitrage bond” as defined in Section 148 of the Code, or to be subject to treatment under Section 148 as an obligation not described in Section 103 of the Code.

9. The Escrow Agent shall not have any responsibility with respect to the sufficiency of this Escrow Agreement to effect payment, redemption or defeasance of the Bonds to be Refunded. The liability of the Escrow Agent for the payment of the principal of, interest on and Redemption Price of the Bonds to be Refunded shall be limited to the payment of all amounts required to be paid pursuant to paragraph 4 hereof. The Escrow Agent shall not be liable or responsible because of the failure of the Issuer to perform any act required of it by this Escrow Agreement. The Escrow Agent shall have no responsibility to the Issuer or any other person in connection with this Escrow Agreement except as specifically provided herein, and shall not be responsible for anything done or omitted to be done by it except for its own negligence or willful default in the performance of any obligation imposed on it hereunder.

10. By execution of this Escrow Agreement, the Escrow Agent accepts the duties and obligations as Escrow Agent hereunder. The Escrow Agent represents that it has all requisite power, and has taken all action necessary to execute the trusts hereby created.

11. If the Escrow Agent is called upon by the terms of this Escrow Agreement to determine the occurrence of any vent or contingency, the Escrow Agent may request from the Issuer or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may inquire and consult with the Issuer, at any time. The Escrow Agent may request an opinion of counsel for a determination of any legal issue which might arise in the performance of its duties hereunder and may act in accordance with the advice given in such opinion.

12. The Escrow Agent may act upon any notice, request, waiver, consent, certificate, receipt, authorization, power of attorney or other instrument or document which the Escrow Agent in good faith believes to be genuine and correct and to have been signed or sent by the proper person or persons.



13. The Escrow Agent may resign or be removed by the Issuer, and thereby become discharged from the trusts hereby created, by notice given to the Issuer not less than thirty (30) days before such resignation or removal shall take effect. Such resignation or removal shall take effect immediately, however, upon the earlier appointment of a new Escrow Agent hereunder and acceptance of the trusts hereby created. The Escrow Agent shall continue to serve as Escrow Agent until a successor is appointed and the funds held hereunder transferred. The Escrow Agent shall provide a proper accounting to the Issuer of all funds deposited pursuant to this Escrow Agreement within 30 days of the appointment of a successor Escrow Agent. If no such appointment has been made at the end of the 30 day period, the Escrow Agent may petition a court of competent jurisdiction for appointment of a successor or temporary Escrow Agent. In the event of the resignation or removal of the Escrow Agent, the Escrow Agent shall rebate to the Issuer any fees theretofore paid in advance by the Issuer to the Escrow Agent for its services under this Escrow Agreement.

14. This Escrow Agreement is made for the benefit of the Issuer, the Escrow Agent and the holders of the Bonds to be Refunded, except as otherwise expressly provided herein. This Escrow Agreement may be modified or amended at anytime, provided, however, that no such modification or amendment shall be made which would, materially adversely affect the interest of any of the holders of the Bonds to be Refunded.

15. If any Outstanding Bonds to be Refunded are not presented for payment on the Redemption Date, and moneys are held by the Escrow Agent for payment thereof, such moneys shall be held for such purposes for a period of 2 years from the Redemption Date, at which time such moneys shall be paid to the Issuer. Following such payment to the Issuer, the Issuer shall be responsible for payment to any holder of the Bonds to be Refunded presenting such Bonds to be Refunded to the Escrow Agent of the amount payable to such holder.

16. This Escrow Agreement shall terminate on the earlier of the date on which all the Outstanding Bonds to be Refunded have been redeemed, paid in full and discharged, or, as described in paragraph 15 above, 2 years after the last date on which payment on the Bonds to be Refunded is due. Upon termination of this Escrow Agreement, any remaining moneys in the Escrow Fund shall be transferred as provided in paragraph 6 hereof.

17. If any one or more of the covenants or agreements provided in this Escrow Agreement to be performed on the part of any of the parties hereto shall be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreement shall be deemed and construed to be severable from the remaining covenants and agreements here in contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

18. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

19. This Escrow Agreement is made in the State of West Virginia under the Constitution and laws of such State and is to be so construed.

IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement on the day and year first above written.

JEFFERSON COUNTY PUBLIC SERVICE  
DISTRICT

By: \_\_\_\_\_  
Its: Chairman

WEST VIRGINIA MUNICIPAL BOND  
COMMISSION

By: \_\_\_\_\_  
Its: Executive Director

**EXHIBIT A TO ESCROW AGREEMENT -**  
**VERIFICATION REPORT**

(See Tab 39)

**EXHIBIT B TO ESCROW AGREEMENT-**  
**ESCROW AGENT FEES**

None.

EXHIBIT D – FORM OF PURCHASE CONTRACT

(See Tab 4)

EXHIBIT E – FORM OF CONTINUING DISCLOSURE AGREEMENT

(See Tab 7)

EXHIBIT F – FORM OF PRELIMINARY OFFICIAL STATEMENT

(See Tab 5)

\$ 1,895,000.<sup>00</sup>  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

SUPPLEMENTAL RESOLUTION

**WHEREAS**, the Public Service Board (the "Board") of Jefferson County Public Service District (the "District") has been advised that the Chairman will not be available to execute bond closing documents at the closing of the above-referenced issue (the "Bonds");


**WHEREAS**, the Board desires to appoint the Treasurer as Acting Chairman under the Bond Resolution adopted by the Board of the District on April 6, 2010 (the "Bond Resolution") and to have all rights, duties and obligations in connection therewith in accordance with the terms of the Bond Resolution and documents entered into in connection therewith for the issuance of the Bonds, specifically;

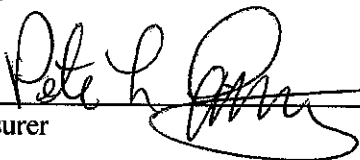
**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD AS FOLLOWS:**

1. The Board hereby appoints Peter L. Appignani, Treasurer to serve as Acting Chairman under the Bond Resolution and to have all rights, duties and powers in connection therewith that the Chairman would have in accordance with the terms of the Bond Resolution and all documents executed and delivered by the District in connection with the issuance of the Bonds, including, but not limited to, the authority to execute the Bonds in the name of the District.

2. This Resolution shall take effect immediately upon adoption.

Adopted this 18<sup>th</sup> day of June, 2010

  
\_\_\_\_\_  
Secretary

  
\_\_\_\_\_  
Treasurer



\$1,895,000  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

CERTIFICATE OF DETERMINATION

The undersigned, James D. Cummins, Secretary, of the Jefferson County Public Service District (the "District"), in accordance with Sections 2.02 and 2.03 of the Bond Resolution adopted by the Board of the District (the "Board") on April 6, 2010 (the "Parameters Resolution"), with respect to the \$1,895,000 Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "2010 Series A Bonds"), hereby determines, that:

1. The 2010 Series A Bonds shall be issued in the aggregate principal amount of \$1,895,000, which is less than the principal amount approved by the Parameters Resolution and as set forth in the Order from the Public Service Commission of West Virginia dated May 20, 2010 in Case No. 10-0328-PSD-PC approving the refunding (the "PSC Order").
2. The 2010 Series A Bonds shall mature on October 1, 2028, which does not exceed the Maturity Date established by the Parameters Resolution of October 1, 2028.
3. The 2010 Series A Bonds shall bear interest upon original issuance at the rates set forth in Schedule A. The interest rates on the 2010 Series A Bonds upon original issuance do not exceed the maximum rate of 7.5% per annum established by the Parameters Resolution.
4. The 2010 Series A Bonds shall be subject to mandatory and optional redemption prior to maturity as set forth on the attached Schedule A.
5. The 2010 Series A Bonds shall be sold to Crews & Associates, Inc. (the "Underwriter") in accordance with the terms of the Purchase Contract dated June 17, 2010 between the Underwriter and the Issuer, at an aggregate purchase price of \$1,837,006.95 (representing par value less an underwriting discount of \$47,375, and original issue discount of \$10,618.05).
6. The 2010 Series A Bonds shall be dated June 24, 2010.
7. The 2010 Series A Bonds shall be designated as set forth above.

8. The Interest Payment Date shall be each April 1 and October 1, commencing October 1, 2010. The Principal Payment Date shall be each October 1, commencing October 1, 2010.

9. Pursuant to the final numbers received from the Underwriter, the yield on the 2010 Series A Bonds is 4.1569751% which does not exceed 4.75% as set forth in the PSC Order.



10. The Bank of New York Mellon, Woodland Park, New Jersey, is hereby appointed as Registrar under the Parameters Resolution and Dissemination Agent under the Continuing Disclosure Agreement.

11. MVB Bank, Charles Town, West Virginia, is hereby appointed as the Depository Bank under the Parameters Resolution.

[SIGNATURE FOLLOWS]

The undersigned certifies that the foregoing terms and conditions of the 2010 Series A Bonds are within the limitations prescribed by Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended, and within the limits prescribed by the Parameters Resolution.

JEFFERSON COUNTY PUBLIC SERVICE  
DISTRICT

By:   
Its: 

Dated: June 17, 2010

## SCHEDULE A

### **2010 SERIES A BOND TERMS**

|           |        |                                            |                     |
|-----------|--------|--------------------------------------------|---------------------|
| \$240,000 | 3.000% | Term Bonds due October 1, 2013 at 100.000% | CUSIP No. 473671AN5 |
| \$355,000 | 3.500% | Term Bonds due October 1, 2017 at 100.000% | CUSIP No. 473671APO |
| \$195,000 | 3.750% | Term Bonds due October 1, 2019 at 100.000% | CUSIP No. 473671AQ8 |
| \$215,000 | 4.000% | Term Bonds due October 1, 2021 at 100.000% | CUSIP No. 473671AR6 |
| \$225,000 | 4.100% | Term Bonds due October 1, 2023 at 98.485%  | CUSIP No. 473671AS4 |
| \$245,000 | 4.375% | Term Bonds due October 1, 2025 at 99.718%  | CUSIP No. 473671AT2 |
| \$420,000 | 4.375% | Term Bonds due October 1, 2028 at 98.448%  | CUSIP No. 473671AU9 |

#### **Optional Redemption**

The 2010 Series A Bonds are not subject to optional redemption prior to October 1, 2015. At the option of the District, the 2010 Series A Bonds will be subject to redemption prior to maturity on and after October 1, 2015, as a whole at any time and in part on any Interest Payment Date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price equal to the principal amount being redeemed, plus interest accrued to the date fixed for redemption.

#### **Mandatory Sinking Fund Redemption**

The 2010 Series A Bonds maturing October 1, 2013, October 1, 2017, October 1, 2019, October 1, 2021, October 1, 2023, October 1, 2025 and October 1, 2028, are subject to mandatory redemption prior to their stated Maturity Date, in part, from payments deposited in the 2010 Series A Bonds Redemption Account, on October 1 in the years set forth below. The redemption price will be 100% of the principal amount of the 2010 Series A Bonds to be so redeemed plus accrued interest, if any, to the redemption date. On the following dates, such maturity of 2010 Series A Bonds shall be redeemed or paid in the amounts set forth opposite each such date:

#### Maturing October 1, 2013

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2011        | \$80,000                |
| 2012        | \$80,000                |
| 2013        | \$80,000                |

#### Maturing October 1, 2017

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2014        | \$85,000                |
| 2015        | \$85,000                |
| 2016        | \$90,000                |
| 2017        | \$95,000                |

Maturing October 1, 2019

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2018        | \$95,000                |
| 2019        | \$100,000               |

Maturing October 1, 2021

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2020        | \$105,000               |
| 2021        | \$110,000               |

Maturing October 1, 2023

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2022        | \$110,000               |
| 2023        | \$115,000               |

Maturing October 1, 2025

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2024        | \$120,000               |
| 2025        | \$125,000               |

Maturing October 1, 2028\*

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2026        | \$135,000               |
| 2027        | \$140,000               |
| 2028        | \$145,000               |

---

\*Denotes final maturity

**Bond Purchase Agreement**

**PURCHASE CONTRACT**

Date: June 17, 2010

Jefferson County Public Service District  
340 Edmond Road, Suite A  
Kearneysville, West Virginia 25430

Re: \$1,895,000 Jefferson County Public Service District (West Virginia)  
Sewer Refunding Revenue Bonds, 2010 Series A

Ladies and Gentlemen:

Crews & Associates, Inc. (the "Underwriter") offers to enter into the following agreement with the Jefferson County Public Service District (West Virginia) (the "Issuer") which, upon your acceptance of this offer, will be binding upon you and upon the Underwriter. Words and terms not otherwise defined herein shall have the same meanings as set forth in the Official Statement described in Section 3 hereof.

This offer is made subject to acceptance by the Issuer on or before June 17, 2010, at 5:00 p.m., New York, New York time.

1. Upon and subject to the terms and conditions and upon the basis of the respective representations, warranties and covenants hereinafter set forth, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriter, all (but not less than all) of the \$1,895,000 Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "2010 Series A Bonds" or the "Bonds"), at an aggregate purchase price of \$1,837,006.95 (which represents the aggregate principal amount of the 2010 Series A Bonds, less original issue discount in the amount of \$10,618.05 and underwriting discount in the amount of \$47,375).

The 2010 Series A Bonds are to be special limited obligations of the Issuer, issued pursuant to a Bond Resolution duly adopted by the Issuer on April 6, 2010, as supplemented by a Supplemental Resolution to be duly adopted by the Issuer on June 18, 2010 (collectively, the "Resolution") with the final terms to be as set forth and described in a Certificate of Determination executed and delivered by the Issuer on June 17, 2010 (the "Certificate of Determination"). The payment of the debt service of all of the 2010 Series A Bonds are secured forthwith equally and ratably by: (i) the Net Revenues of the sewerage system of the Issuer (the "System"), on a parity with respect to lien on, source of and security for payment with the Prior Bonds (hereinafter defined), and senior and prior to the Notes (hereinafter defined), (ii) the monies on deposit in the funds and accounts established by the Resolution in connection with the 2010 Series A Bonds, including the monies on deposit in the Escrow Fund (the "Escrow Fund") established pursuant to the Escrow Agreement, dated June 24, 2010, between the Issuer and the West Virginia Municipal Bond Commission (the "Escrow Agreement"), and (iii) the unexpended proceeds of the 2010 Series A Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the 2010 Series A Bonds and the Prior Bonds, and all other payments provided for in the Resolution, are irrevocably pledged in the manner provided in the Resolution to the

payment of the principal of and interest on the 2010 Series A Bonds as the same become due and for the other purposes provided in the Resolution.

The Issuer currently has outstanding the following revenue bonds which are secured by the Net Revenues of the System: (i) Sewer Revenue Bonds, Series 1988 B (West Virginia Water Development Authority), dated May 5, 1988, issued in the original aggregate principal amount of \$425,767 (the "Series 1988 B Bonds"); (ii) Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of \$971,000 (the "Series 1993 A Bonds"); (iii) Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 (the "Series 1998 A Bonds"); (iv) Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program), dated June 25, 1998, issued in the original aggregate principal amount of \$599,089 (the "Series 1998 B Bonds"); (v) Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund), dated June 25, 1998, issued in the original aggregate principal amount of \$662,039 (the "Series 1998 C Bonds"); (vi) Sewer Revenue Bonds, Series 1999 A (West Virginia SRF Program), dated December 8, 1999, issued in the original aggregate principal amount of \$378,363 (the "Series 1999 A Bonds"); (vii) Sewer Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of \$1,154,889 (the "Series 2000 A Bonds"); and (viii) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated June 18, 2008, issued in the original aggregate principal amount of \$2,005,000 (the "Series 2008 A Bonds") (collectively, hereinafter called the "Prior Bonds"). The resolutions pursuant to which the Prior Bonds were issued are hereinafter collectively called the "Prior Resolutions."

The 2010 Series A Bonds shall be issued on a parity with respect to lien on, source of and security for payment with the Prior Bonds. The Issuer may issue additional bonds which are on a parity with the 2010 Series A Bonds in the manner and subject to the terms and conditions set forth in Section 6.07 of the Resolution.

The Issuer also has outstanding its Refunding Sewerage System Bond Anticipation Notes, Series 2010 (the "Notes"), dated January 6, 2010, issued in the aggregate principal amount of \$750,000. The Notes are payable only from and secured by a first lien on (i) the proceeds of revenue bonds or other obligations of the Issuer to be issued subsequent to the issuance of the Notes to permanently finance the costs of the project refinanced by the proceeds of the Notes; (ii) the proceeds of any grants received by the Issuer for the project refinanced by the proceeds of the Notes, and (iii) the Surplus Revenues, if any, of the System. The Notes are subordinate in all respects to the 2010 Series A Bonds and the Prior Bonds.

The proceeds of the 2010 Series A Bonds, together with other funds of the Issuer available therefor, will be used as follows: (i) to finance the current refunding and repayment in full of the Issuer's outstanding Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 (the "Bonds to be Refunded"); (ii) to fund a debt service reserve account; and (iii) to pay costs of issuance of the 2010 Series A Bonds and related costs.

2. The 2010 Series A Bonds will mature on the dates and in the amounts, will bear interest at the rates, and be subject to option and mandatory redemption as set forth on Exhibit A hereto.

3. Within three business days of its acceptance hereof, the Issuer shall deliver to the Underwriter at the expense of the Issuer a sufficient number of copies of a final Official Statement of the Issuer of even date herewith, executed by the Issuer (the "Official Statement") to enable the Underwriter to provide an Official Statement with confirmation of the purchase of the Bonds and to otherwise provide copies of the Official Statement as required by Rule 15c2-12 under the Securities Exchange Act of 1934. The Official Statement shall be in substantially the same form as that of the Preliminary Official Statement of the Issuer dated June 15, 2010 (the "Preliminary Official Statement") previously distributed with respect to the 2010 Series A Bonds. The Issuer hereby authorizes the use of the Official Statement

and the information therein contained in connection with the public offering and sale of the 2010 Series A Bonds.

The Issuer hereby approves the forms of, and consents to the Underwriter's use of, the Preliminary Official Statement and the Official Statement in connection with the offering and sale of the 2010 Series A Bonds. The Official Statement is hereby deemed final within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934, with such changes, omissions, insertions and revisions as the Chairman of the Issuer shall deem advisable, such signature to evidence approval thereof, and is hereby authorized.

4. In order to induce the Underwriter to enter into this Bond Purchase Agreement, the Issuer hereby represents and warrants to the Underwriter that both at the time of acceptance hereof by the Issuer and at the time of Closing (as hereinafter defined):

(a) the statements and information contained in the Official Statement under the heading "INTRODUCTION," "SOURCES AND USES OF FUNDS," "SECURITY FOR THE 2010 SERIES A BONDS," "THE SYSTEM," "LITIGATION," "FINANCIAL STATEMENTS OF THE DISTRICT," "CONTINUING DISCLOSURE," and APPENDICES A, B and C are and will be true, correct and complete in all material respects and such statements and information do not and will not contain any untrue or misleading statement of a material fact or omit any statement or information which is necessary to make the statements and information therein, in the light of the circumstances under which they were made or presented, not misleading in any material respect;

(b) the Issuer is and will be duly organized and validly existing under the laws of the State of West Virginia with the powers and authority set forth in Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), including the full legal right, power and authority to issue revenue bonds to finance the costs of the refunding of the Bonds to be Refunded and to enter into this Bond Purchase Agreement, to adopt resolutions with respect to the 2010 Series A Bonds, to issue, sell and deliver the Bonds to the Underwriter as provided herein and to carry out and consummate all other transactions contemplated by the aforesaid documents;

(c) when delivered to and paid for by the Underwriter at the Closing in accordance with the provisions of this Bond Purchase Agreement, the Bonds will have been duly authorized, executed, authenticated, issued and delivered and will constitute valid and binding special obligations of the Issuer of the character permitted by the Act (as defined in the Resolution), in conformity with, and entitled to the benefit and security of, the Act and the Resolution;

(d) the execution and delivery of this Bond Purchase Agreement, the 2010 Series A Bonds, the Tax Compliance Certificate of the Issuer dated June 24, 2010 (the "Tax Certificate"), the Escrow Agreement, dated June 24, 2010, by and between the Issuer and the West Virginia Municipal Bond Commission (the "Escrow Agreement"), the Continuing Disclosure Agreement, dated June 24, 2010, by and between the Issuer and The Bank of New York Mellon, as dissemination agent (the "Continuing Disclosure Agreement") and the other documents and certificates to be executed and delivered by the Issuer in connection with the issuance of the 2010 Series A Bonds (collectively, the "Bond Documents") and compliance with the provisions hereof and thereof, under the circumstances contemplated hereby and thereby, will not in any material respect conflict with or constitute on the part of the Issuer a breach of or default under any agreement or other instrument to which the Issuer is a party or any existing law, administrative regulation, court order or consent decree to which the Issuer is subject;

(e) all approvals, consents and orders of any governmental authority, board, agency, council or commission having jurisdiction which would constitute a condition precedent to the



performance by the Issuer of its obligations hereunder and under the Resolution and the Bonds have been obtained or, if not, will be obtained on or prior to the time of Closing;

(f) no litigation is pending or, to the knowledge of the Issuer, threatened (i) seeking to restrain or enjoin the issuance or delivery of any of the 2010 Series A Bonds or the application of proceeds of the 2010 Series A Bonds as provided in the Resolution, (ii) in any way contesting or affecting any authority for the issuance of the 2010 Series A Bonds or the validity of the 2010 Series A Bonds, the Resolution or any of the Bond Documents, (iii) in any way contesting the existence or powers of the Issuer, or (iv) in any way contesting the right of the members of the board of the Issuer to hold any of their respective offices;

(g) the Issuer is not in breach of or in default under any existing law, court or administrative regulation, decree or order applicable to the Issuer or by which it or its property is bound, and no event has occurred or is continuing which, with the passage of time or the giving of notice, or both, would constitute a breach of or a default or an event of default thereunder, wherein such breach or default would have a materially adverse impact on the transactions contemplated by this Bond Purchase Agreement, the Official Statement or the Resolution or the validity of the 2010 Series A Bonds or any of such other documents or any agreement or instrument to which the Issuer is a party or by which it or its property is bound and which is used or contemplated for use in the consummation of the transactions contemplated hereby;

(h) any certificate signed by any officer of the Issuer and delivered to the Underwriter at the Closing shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein;

(i) when this Bond Purchase Agreement is accepted by the Issuer, and when the 2010 Series A Bonds are issued, authenticated, sold and delivered to the Underwriter, each of the representations and certifications of the Issuer herein, in the Resolution and in the Bond Documents is and will be true, accurate and complete;

(j) the Issuer has not received any judicial or administrative notice which in any way questions the Federal tax exempt status of interest on the 2010 Series A Bonds or indicates that certificates of the Issuer as to non-arbitrage may not be relied upon in accordance with applicable Treasury Regulations;

(k) since June 30, 2009, no material and adverse change has occurred in the financial position or results of operations of the Issuer;

(l) since June 30, 2009, the Issuer has not incurred any material liabilities other than as disclosed in the Official Statement;

(m) to the best knowledge of the officer executing this Bond Purchase Agreement it is not in breach of or in default under any existing law, court or administrative regulation, decree, order, agreement or other instrument to which it is subject or is a party or by which it or any of its property is bound, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a breach of or a default or an event of default thereunder;

(n) the financial statements of the Issuer included in the Preliminary Official Statement and the Official Statement as Appendix B thereto present fairly the financial position of the Issuer as of the respective dates set forth thereon and the results of its operations and the changes in its financial position for the years ending on such dates in conformity with generally accepted accounting

principles applied on a consistent basis, except as disclosed in the financial statements;

(o) the Issuer has duly taken all action necessary to be taken by it for the issuance and sale of the Bonds by the Issuer upon the terms set forth herein and in the Official Statement and the Resolution and for the execution, delivery and performance by it of this Bond Purchase Agreement and the other Bond Documents and has duly taken all such other action as may be necessary or appropriate for the effectuation and consummation of the transactions contemplated hereby or by the Official Statement or the Bond Documents;

(p) the Issuer will not take or omit to take any action which will in any way cause or result in the proceeds from the sale of the 2010 Series A Bonds being applied in a manner other than as provided in the Resolution;

(q) except as may be described in the Official Statement, there is no action, suit, proceeding, investigation at law or in equity before or by any court, public board or body pending or, to the knowledge of the Issuer, threatened against or affecting it which, after due investigation, management believes will result in the award of money damages in excess of the applicable insurance coverages or wherein an unfavorable decision, ruling or finding would have a materially adverse effect on the transactions contemplated by this Bond Purchase Agreement, the Official Statement or the Bond Documents;

(r) the Issuer will not, while any 2010 Series A Bonds are Outstanding (within the meaning of the Resolution), take or permit to be taken any action which would adversely affect the exclusion from gross income of the interest on the 2010 Series A Bonds for Federal income tax purposes; and

(s) the Issuer is eligible and entitled to participate in the transactions contemplated by this Bond Purchase Agreement, the Official Statement or the Bond Documents.

The Issuer covenants that between the date hereof and the time of Closing it will not take any action, or omit to take any action, which will cause any of the representations and warranties made in this Section 4 to be untrue or incomplete as of the time of Closing.

5. (Reserved)

6. The Issuer consents to and ratifies the use of the Preliminary Official Statement prior to the availability of the Official Statement by the Underwriter in connection with the public offering of the 2010 Series A Bonds after the date hereof.

7. At 10:00 A.M. Charleston, West Virginia time, on June 24, 2010, or at such other time or on such other date as shall have been mutually agreed upon by the Issuer and the Underwriter (the "Closing Date"), the Issuer will deliver the Bonds to the Underwriter through The Depository Trust Company ("DTC") in New York, New York, by its DTC Fast Agent, in definitive form, duly executed by the Issuer and authenticated by the Registrar. Delivery of the documents described in Section 8 hereof shall occur at the offices hereinafter specified. Upon receipt thereof, the Underwriter shall pay the purchase price of the 2010 Series A Bonds, plus accrued interest to the Closing Date, if any, to the Issuer in Federal funds. Such delivery and payment therefor is referred to herein as the "Closing."

Each maturity of the 2010 Series A Bonds shall be represented by a single certificate registered in the name of Cede & Co., as nominee of DTC, and will be made available to the Underwriter for checking not less than 24 hours prior to the Closing Date. It is anticipated that CUSIP identification numbers will

be printed on the 2010 Series A Bonds, but neither the failure to print such numbers on any 2010 Series A Bond, nor any error with respect thereto, shall constitute cause for a failure or refusal by the Underwriter to accept delivery of, and pay for, the 2010 Series A Bonds in accordance with the terms of this Bond Purchase Agreement.

The Closing as aforesaid will be held at the offices of Spilman Thomas & Battle, PLLC, Charleston, West Virginia, or at such other place as shall have been mutually agreed upon by the Issuer and the Underwriter.

8. The obligations of the Underwriter hereunder shall be subject (i) to the performance by the Issuer of its obligations to be performed hereunder at or prior to the time of Closing, (ii) to the accuracy and completeness in all material respects, in the reasonable judgment of the Underwriter, of the representations and warranties of the Issuer made herein as of the date hereof and as of the time of Closing and (iii) to the following conditions, including the delivery by the Issuer of such documents as are enumerated herein in form and substance reasonably satisfactory to the Underwriter, counsel to the Underwriter, Steptoe & Johnson PLLC, Clarksburg, West Virginia, ("Underwriter's Counsel") and bond counsel, Spilman Thomas & Battle, PLLC, Charleston, West Virginia ("Bond Counsel").

(a) At the time of Closing, (i) the Resolution and the Bond Documents shall have been duly executed and delivered by the respective parties thereto and shall be in full force and effect and shall not have been amended, modified or supplemented from the forms thereof heretofore submitted to the Underwriter, except as may have been agreed to by the Underwriter with such agreement to be conclusively evidenced by the Closing, (ii) the proceeds of the sale of the Bonds shall be deposited in accordance with the Resolution and the Official Statement and (iii) the Issuer shall have duly adopted and there shall be in full force and effect such resolutions as in the opinion of Underwriter's Counsel shall be necessary in connection with the transactions contemplated hereby.

(b) The Underwriter shall have the right to cancel its obligations to purchase the 2010 Series A Bonds if:

(1) between the date hereof and the time of Closing, (A) legislation shall be enacted or be considered actively for enactment by the Congress, or recommended to the Congress for passage by the President of the United States, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation has been referred for consideration, or a decision by a court of the United States or by the United States Tax Court shall be rendered, or a ruling, regulation, proposed regulation, temporary regulation or official release or statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or any other governmental agency shall be made or proposed to be made with respect to Federal taxation upon revenues or other income of the general character of those to be derived by the Issuer from operation of its System, or upon interest on obligations of the general character of the 2010 Series A Bonds, or (B) any other action or event shall have transpired which may (1) have the purpose or effect, directly or indirectly, of adversely affecting the Federal income tax consequences of any of the transactions contemplated hereby, including without limitation in the reasonable judgment of the Underwriter, materially adversely affect the market price or marketability of the 2010 Series A Bonds, or the market prices or marketability generally of obligations of the general character of the 2010 Series A Bonds, or

(2) there shall exist any event which in the reasonable judgment of the Underwriter either (A) makes untrue or incorrect in any material respect any statement or

information contained in the Preliminary Official Statement or the Official Statement or (B) requires the making of any additional statement so that the statements and information set forth in the Preliminary Official Statement and/or the Official Statement shall not be misleading in any material respect, or

(3) between the date hereof and the time of Closing, there shall have occurred any outbreak of hostilities or other national or international calamity or crisis, the effect of which on the financial markets of the United States is such that, in the reasonable judgment of the Underwriter, would materially adversely affect the market price or the marketability of the 2010 Series A Bonds, or

(4) there shall be in force a general suspension of trading on the New York Stock Exchange or the fixing of maximum or minimum prices for trading on said Exchange, or

(5) there shall have occurred a financial crisis or a default with respect to the debt obligations of, or the institution of proceedings under the Federal bankruptcy laws or West Virginia receivership law by or against, any political subdivision, agency or instrumentality of the State of West Virginia (the effect of which being, in the reasonable judgment of the Underwriter, to make it impracticable for the Underwriter to market the 2010 Series A Bonds or to enforce contracts for the sale of the 2010 Series A Bonds), or

(6) a general banking moratorium shall have been declared by either Federal, West Virginia or New York authorities, the effect of which on the financial markets of the United States is such that, in the reasonable judgment of the Underwriter, would materially and adversely affect the market price or the marketability of the 2010 Series A Bonds, or

(7) a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission shall be issued or made to the effect that the issuance, offering or sale of the 2010 Series A Bonds, or of obligations of the general character of the 2010 Series A Bonds as contemplated hereby, is in violation of any provision of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended, or

(8) any state "blue sky" or securities commission shall have withheld registration, exemption, or clearance of the offering of the 2010 Series A Bonds, and in the reasonable judgment of the Underwriter, the market for the 2010 Series A Bonds is materially adversely affected thereby, or

(9) a supplement or amendment shall have been made to the Official Statement subsequent to the date hereof which describes any material adverse change in the affairs of the Issuer not disclosed in the Official Statement and in the Preliminary Official Statement.

(c) At the Closing, the Underwriter shall receive the following documents, in such number of counterparts as may be mutually agreeable to the Underwriter and the Issuer:

(1) the approving opinion of Bond Counsel, dated the Closing Date, addressed to the Issuer and the Underwriter relating to the due authorization, execution, delivery, validity and tax-exempt status of the interest on the 2010 Series A Bonds for

Federal and West Virginia income tax purposes, in form and substance satisfactory to the Underwriter;

(2) a supplemental opinion of Bond Counsel, dated the Closing Date, addressed to the Issuer and the Underwriter, to the effect that:

(i) The statements contained in the Official Statement under the headings "INTRODUCTION," "SOURCES AND USES OF FUNDS," "THE 2010 SERIES A BONDS," "SECURITY FOR THE 2010 SERIES A BONDS", "TAX MATTERS", "CONTINUING DISCLOSURE" and in Appendix C and Appendix D except for financial or statistical data therein as to which no opinion is hereby expressed, thereto insofar as such statements purport to summarize certain provisions of the 2010 Series A Bonds or the Resolution are true, correct and complete in all material respects and present a fair summary of the matters intended to be summarized therein; and

(ii) No registration of the 2010 Series A Bonds under the Securities Act of 1933, as amended, or qualification of the Resolution under the Trust Indenture Act of 1939, as amended, is required in connection with the offer and sale of the 2010 Series A Bonds.

(3) (Reserved);

(4) An opinion of James V. Kelsh, Counsel to the Issuer, addressed to, among others, Bond Counsel and the Underwriter, in form and substance satisfactory to Bond Counsel and the Underwriter, dated the Closing Date, to the effect that: (i) no litigation is pending or, to his knowledge, threatened (a) to restrain or enjoin the issuance or delivery of any of the 2010 Series A Bonds or the collection of Net Revenues pledged under the Resolution, (b) in any way contesting the power or the authority of the Issuer for the issuance of the 2010 Series A Bonds or the validity of the 2010 A Bonds, or the Bond Documents, (c) in any way contesting the existence or powers of the Issuer relating to the issuance of the Bonds, (ii) to the best of his knowledge, no event effecting the Issuer has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that is necessary to disclose therein in order to make the statements and information therein with respect to the Issuer not misleading in any material respect, (iii) the Issuer is a body corporate and politic constituting a governmental agency of the State and existing under the provisions of the Act, pursuant to which the Issuer has full legal right, power and authority to enter into the Bond Documents and each constitutes the legal, valid and binding agreement of the Issuer enforceable in accordance with its respective terms subject to bankruptcy and insolvency and compliance with the provisions of each thereof will not conflict with or constitute a violation or breach of or default under any existing law or administrative rule or regulation, or any court order or decree or any agreement, contract or other instrument, to which the Issuer is a party or otherwise subject or bound, (iv) the Official Statement has been duly approved, executed and delivered by the Issuer, and (v) the statements contained in the Official Statement under the captions "Introduction," "The System," "Litigation," "Continuing Disclosure," and "Appendix D" (as such information pertains to the Issuer) do not contain any untrue statement of a material fact or omit to stating material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

(5) an opinion, dated the Closing Date, addressed to the Underwriter, of Underwriter's Counsel, to the effect that the 2010 Series A Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and that the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; in addition, such counsel shall state in its letter containing the foregoing opinion, or in a separate letter, dated the Closing Date, that, without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the sole basis of its conferences with representatives of the Issuer, Bond Counsel and the Underwriter, and its examination of the Bond Documents, nothing has come to its attention that would lead it to believe (excluding therefrom all information in Appendix A, all financial and statistical data and projections included in the Official Statement, including the entirety of Appendix B and all information concerning the Deposit Trust Company and the book-entry only system for the 2010 Series A Bonds, on which it expresses no opinion) that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(6) a certificate of the Issuer, dated the Closing Date, to the effect that the representations and warranties made by the Issuer in this Bond Purchase Agreement are true and correct in all material respects on and as of the Closing Date as if made on and as of the Closing Date;

(7) (Reserved);

(8) executed counterparts of the Tax Certificate;

(9) a certified copy of the Resolution and Supplemental Resolution of the Issuer authorizing the execution and delivery of the 2010 Series A Bonds and the Bond Documents, the execution and use of the Official Statement and the use of the Preliminary Official Statement and a certificate of the Issuer, dated the Closing Date to the effect that said resolution(s) have not been modified, amended or repealed;

(10) a certificate of the Issuer, dated the Closing Date, to the effect that no litigation or proceeding is pending, or to its knowledge, threatened in any court or by or before any administrative body contesting the due organization or valid existence of the Issuer or the validity, due authorization or execution of the 2010 Series A Bonds, the Official Statement or this Bond Purchase Agreement, or use of either the Preliminary Official Statement or the Official Statement;

(11) a specimen 2010 Series A Bond for each maturity;

(12) a Preliminary Official Statement dated June 15, 2010, and an Official Statement dated the date of this Bond Purchase Agreement;

(13) (Reserved);

(14) executed counterparts of the Continuing Disclosure Agreement;

(15) a certificate dated the date of Closing signed by an authorized officer of the Registrar in form and substance acceptable to the Underwriter and its counsel;

(16) such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter, or counsel to the Underwriter, or Bond Counsel may reasonably request to evidence compliance by the Issuer with legal requirements, the truth and accuracy, as of the time of Closing, of their respective representations herein contained and due performance or satisfaction by the Issuer at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by such parties.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter contained in this Bond Purchase Agreement or if the obligations of the Underwriter to purchase and accept delivery of the 2010 Series A Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter nor the Issuer shall be under any further obligation hereunder; provided, however, that the respective obligations to indemnify, as provided in Section 10 hereof, and to pay expenses, as provided in Section 11 hereof, shall continue in full force and effect; and provided, further, that the Underwriter may, in its discretion, waive one or more of the conditions imposed by this Bond Purchase Agreement for the protection of the Underwriter and proceed with the Closing.

9. All representations, warranties and agreements of the Issuer contained herein shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the Closing.

10. (a) To the extent allowed by law, the Issuer hereby agrees to indemnify and hold harmless the Underwriter and each person, if any, who is an officer or employee of any Underwriter or who controls the Underwriter within the meaning of the Securities Act of 1933, as amended, and Underwriter's Counsel (the "Indemnified Parties"), against any and all losses, claims, damages, liabilities and expenses (or actions in respect thereof) that arise out of or are based upon any untrue statement or alleged untrue statement of any material fact as set forth in the Official Statement or the Preliminary Official Statement (except with respect to the Underwriter, for information under the heading "Underwriting"), or arise out of or are based upon the omission or alleged omission therefrom of any statement or information necessary to make the statements therein not misleading including, without limitation, the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or alleged untrue statement or omission or alleged omission if such settlement is effected with the written consent of the Issuer and the Issuer will reimburse any legal or other expenses reasonably incurred by any such Indemnified Party in connection with investigating or defending any such loss, claim, damage, liability or action. The Issuer will assume the defense of any action against any Indemnified Party based upon allegations of any such loss, claim, damage, liability or action, including the retaining of counsel satisfactory to the Indemnified Party and the payment of counsel fees and all other expenses relating to such defense; provided, however, that any Indemnified Party may retain separate counsel in any such action and may participate in the defense thereof at the expense of such Indemnified Party unless such retaining of separate counsel has been specifically authorized by the Issuer; provided further, that if any Indemnified Party shall have been advised by counsel that there may be legal defenses available to such Indemnified Party which are different from or additional to those available to the Issuer, then the Issuer shall not have the right to assume the defense of such action on behalf of such Indemnified Party, and in such event the said fees and expenses of the Indemnified Party in defending such action shall be borne by such party. The indemnity agreement contained in this Section will be in addition to any liability which the Issuer may otherwise have and shall survive any termination of this Bond Purchase Agreement, the offering and sale of the Bonds and the payment or provision for payment of the Bonds.

(b) Promptly after receipt by an Indemnified Party of notice of the commencement of

any action, such Indemnified Party will, if a claim in respect thereof is to be made against the Issuer under this Section, notify the Issuer of the commencement thereof, and thereupon the Issuer (i) will assume the defense thereof if and as required under this Section or (ii) if not required to assume such defense, will be entitled to participate in, and to the extent that they may wish, to assume the defense thereof, with counsel satisfactory to such Indemnified Party, except as otherwise provided in the preceding paragraph. After notice from the Issuer to such Indemnified Party of its assumption of the defense thereof, the Issuer will not be liable to such Indemnified Party under this Section for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation and except as otherwise provided in the preceding paragraph.

(c) In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in subsections (a) and (b) of this Section 10 is for any reason held to be unavailable to the Underwriter, other than in accordance with the terms of such subsections, the Issuer and the Underwriter shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Issuer and the Underwriter, in such proportions that the Issuer is responsible for that portion represented by the percentage that the underwriting discount appearing under the heading "Underwriting" in the Official Statements bears to the initial public offering price appearing thereon and that the Issuer is responsible for the balance; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act of 1933, as amended), shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this subsection (c), each person, if any, who controls any Underwriter within the meaning of Section 15 of the Securities Act of 1933, as amended, shall have the same rights to contribution as the Underwriter, and each trustee of the Issuer, each officer of the Issuer who signs the Official Statement and each person, if any, who controls the Issuer within the meaning of Section 15 of the Securities Act of 1933, as amended, shall have the same rights to contribution as the Issuer.

(d) The Issuer deems the Preliminary Official Statement final as of its date except for the omission of the offering prices, interest rates, sources and uses, selling prices, selling compensation, aggregate principal amounts, delivery dates, and other terms depending on such matters, and ratifies and approves the prior distribution of the Preliminary Official Statement by the Underwriter. The Issuer authorizes the Official Statement, and the information therein contained, to be used in connection with the public offering and sale of the 2010 Series A Bonds and represents that the Official Statement will be complete as of the date of its delivery to the Underwriter. If between the date hereof and the 90th day following the end of the underwriting period for the 2010 Series A Bonds (within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934), any event shall occur which would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and if in the opinion of the Issuer or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Issuer will cooperate to cause the Official Statement to be amended or supplemented in a form approved by the Underwriter and the Issuer shall bear the reasonable cost of such amendment or supplementation (to the extent the same is not paid from 2010 Series A Bond proceeds). The Underwriter shall, upon the written request of the Issuer, inform the Issuer whether the underwriting period for the 2010 Series A Bonds has ended and, if so, the date on which the underwriting period for the 2010 Series A Bonds ended.

11. (a) All expenses and costs of the Issuer incident to the performance of its obligations in connection with the authorization, issuance, sale and delivery of the 2010 Series A Bonds to the Underwriter, including, but not limited to, the costs of typing, printing and distribution of the Preliminary Official Statement and the Official Statement, the fees of consultants, CUSIP Service Bureau charges, the



initial fees of the Registrar and its counsel, printing costs, filing fees, and the fees and expenses of Bond Counsel, Underwriter's Counsel and the Issuer's counsel in connection with the issuance of the 2010 Series A Bonds other than those set forth in subsection (b) of this Section 11, shall be paid from the proceeds of the 2010 Series A Bonds, to the extent available, and otherwise by the Issuer.

(b) The Underwriter shall pay all of their expenses including, but not limited to: (i) computer expenses, (ii) clearance charges, (iii) Municipal Securities Rulemaking Board fees, (iv) travel, closing and related expenses, and (v) the cost of Federal or other funds.

12. The Issuer agrees to cooperate reasonably with the Underwriter in any endeavor to qualify the 2010 Series A Bonds for offering and sale under the securities or "blue sky" laws of such jurisdictions of the United States as the Underwriter may request, and the Issuer shall, with respect to the offer or sale of the 2010 Series A Bonds file written consent to service of process in any jurisdiction in which such consent may be required by law or regulation so that the 2010 Series A Bonds may be offered or sold.

During the offering period and for a period not exceeding 90 days after the Closing Date, so long as the Underwriter is offering any of the 2010 Series A Bonds, the Issuer will not adopt any proposed amendment of or supplement to the Official Statement to which, after having been furnished a copy, the Underwriter shall reasonably object in writing or which shall be reasonably disapproved by Underwriter Counsel or Bond Counsel.

13. ALL REPRESENTATIONS, WARRANTIES, COVENANTS, OBLIGATIONS AND AGREEMENTS OF THE ISSUER CONTAINED IN THIS BOND PURCHASE AGREEMENT SHALL NOT CREATE ANY GENERAL OBLIGATION OR LIABILITY OF THE ISSUER. ANY OBLIGATION OR LIABILITY OF THE ISSUER HEREUNDER SHALL BE LIMITED TO THOSE SOURCES PLEDGED FOR THE PAYMENT OF PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON THE 2010 SERIES A BONDS.

14. Any notice or other communication to be given to the Issuer under this Bond Purchase Agreement may be given by delivering the same in writing to its address set forth above, and any notice or other communication to be given to (i) the Underwriter may be given by delivering the same in writing to Crews & Associates, Inc., 2000 Union National Plaza, 124 West Capitol, Little Rock, Arkansas, 72201, Attention: Rush W. Harding, III.

15. This Bond Purchase Agreement may be executed in any number of counterparts, each of which so executed and delivered shall constitute an original and all together shall constitute but one and the same instrument. Each party to this Bond Purchase Agreement may execute separate signature pages, and upon such execution and delivery shall constitute one and the same instrument.

16. This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of West Virginia.

Very truly yours,  
CREWS & ASSOCIATES, INC.,

By: ABM  
Authorized Representative

Accepted and agreed to as of the date first written above:

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA)

By: James D. Commi  
Its: Secretary

## EXHIBIT A

### 2010 SERIES A BOND TERMS

|           |         |                                   |          |                     |
|-----------|---------|-----------------------------------|----------|---------------------|
| \$240,000 | 3.000 % | Term Bonds due October 1, 2013 at | 100.000% | CUSIP No. 473671AN5 |
| \$355,000 | 3.500 % | Term Bonds due October 1, 2017 at | 100.000% | CUSIP No. 473671APO |
| \$195,000 | 3.750 % | Term Bonds due October 1, 2019 at | 100.000% | CUSIP No. 473671AQ8 |
| \$215,000 | 4.000 % | Term Bonds due October 1, 2021 at | 100.000% | CUSIP No. 473671AR6 |
| \$225,000 | 4.100 % | Term Bonds due October 1, 2023 at | 98.485%  | CUSIP No. 473671AS4 |
| \$245,000 | 4.375%  | Term Bonds due October 1, 2025 at | 99.718%  | CUSIP No. 473671AT2 |
| \$420,000 | 4.375 % | Term Bonds due October 1, 2028 at | 98.448%  | CUSIP No. 473671AU9 |

#### **Optional Redemption**

The 2010 Series A Bonds are not subject to optional redemption prior to October 1, 2015. At the option of the District, the 2010 Series A Bonds will be subject to redemption prior to maturity on and after October 1, 2015, as a whole at any time and in part on any Interest Payment Date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price equal to the principal amount being redeemed, plus interest accrued to the date fixed for redemption.

#### **Mandatory Sinking Fund Redemption**

The 2010 Series A Bonds maturing October 1, 2013, October 1, 2017, October 1, 2019, October 1, 2021, October 1, 2023, October 1, 2025 and October 1, 2028, are subject to mandatory redemption prior to their stated Maturity Date, in part, from payments deposited in the 2010 Series A Bonds Redemption Account, on October 1 in the years set forth below. The redemption price will be 100% of the principal amount of the 2010 Series A Bonds to be so redeemed plus accrued interest, if any, to the redemption date. On the following dates, such maturity of 2010 Series A Bonds shall be redeemed or paid in the amounts set forth opposite each such date:

#### Maturing October 1, 2013

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2011        | \$80,000                |
| 2012        | \$80,000                |
| 2013        | \$80,000                |

#### Maturing October 1, 2017

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2014        | \$85,000                |
| 2015        | \$85,000                |
| 2016        | \$90,000                |
| 2017        | \$95,000                |

Maturing October 1, 2019

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2018        | \$95,000                |
| 2019        | \$100,000               |

Maturing October 1, 2021

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2020        | \$105,000               |
| 2021        | \$110,000               |

Maturing October 1, 2023

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2022        | \$110,000               |
| 2023        | \$115,000               |

Maturing October 1, 2025

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2024        | \$120,000               |
| 2025        | \$125,000               |

Maturing October 1, 2028\*

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2026        | \$135,000               |
| 2027        | \$140,000               |
| 2028        | \$145,000               |

---

\*Denotes final maturity

# PRELIMINARY OFFICIAL STATEMENT DATED JUNE 15, 2010

## NEW ISSUE - FULL BOOK ENTRY

*In the opinion of Spilman Thomas & Battle, PLLC, Bond Counsel, based upon an analysis of existing laws, regulations, rules and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the interest on the 2010 Series A Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the 2010 Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. In addition, under the Act, the 2010 Series A Bonds and all interest and income thereon shall be exempt from all taxation by the State of West Virginia, and the other taxing bodies of the State of West Virginia. In addition, Bond Counsel is of the opinion that the 2010 Series A Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" herein for a description of certain provisions of the Code which may affect the tax treatment of interest on the 2010 Series A Bonds for certain Bondholders.*

**\$1,940,000\***

### **JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA) SEWER REFUNDING REVENUE BONDS, 2010 SERIES A**

**Dated: Date of Delivery**

**Due: As shown on inside front cover**

The 2010 Series A Bonds (the "2010 Series A Bonds") shall be issued only as fully registered Bonds, and when initially issued, will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases will be made in book-entry form only and beneficial owners of the 2010 Series A Bonds will not receive physical delivery of bond certificates. So long as DTC or its nominee is the registered owner of the 2010 Series A Bonds, payments of the principal of and interest on the 2010 Series A Bonds will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of DTC participants (see "THE 2010 SERIES A BONDS – Book-Entry Bonds" herein). The 2010 Series A Bonds are subject to redemption prior to maturity as more fully stated herein.

The 2010 Series A Bonds are being issued by Jefferson County Public Service District (the "District") to provide funds (i) to currently refund the District's outstanding Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 (the "Series 1998 A Bonds"); (ii) to fund a Debt Service Reserve Fund for the 2010 Series A Bonds; and (iii) to pay costs of issuance of the 2010 Series A Bonds and related costs.

The 2010 Series A Bonds are payable from and secured by the Net Revenues derived from the existing sewerage system of the District on a parity with the lien and pledge thereof in favor of the Prior Bonds (hereinafter defined) and any additions, betterments and improvements thereto and from funds on deposit in the 2010 Series A Bonds Sinking Fund and the 2010 Series A Bonds Reserve Account established therefor. The 2010 Series A Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the 2010 Series A Bonds, or any premium or the interest thereon, except from such net revenues and such funds on deposit for the 2010 Series A Bonds. Neither the credit nor the taxing power, if any, of the District shall be deemed to be pledged to, nor shall a tax ever be levied for, the payment of the principal of, or the premium, if any, or interest on, the 2010 Series A Bonds. The District has no taxing powers.

The Bank of New York Mellon, Woodland Park, New Jersey, is the Registrar and the West Virginia Municipal Bond Commission, Charleston, West Virginia, is the Paying Agent. Interest on the 2010 Series A Bonds is payable semiannually on each April 1 and October 1, commencing October 1, 2010. Principal of the 2010 Series A Bonds is payable annually as set forth on the inside cover page.

The 2010 Series A Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Spilman Thomas & Battle PLLC, Charleston, West Virginia, Bond Counsel. Certain legal matters will be passed upon for the District by James V. Kelsh, Esquire, Charleston, West Virginia, counsel to the District. Certain legal matters will be passed upon for the Underwriter by Steptoe & Johnson PLLC, Clarksburg, West Virginia, as counsel to the Underwriter.

It is expected that the 2010 Series A Bonds will be available for delivery at DTC, New York, New York, on or about June 24, 2010.

Dated: June \_\_, 2010.

\*Preliminary, subject to change.

 **Crews & Associates**  
Investment Bankers

**\$1,940,000\***  
**JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA)**  
**SEWER REFUNDING REVENUE BONDS, 2010 SERIES A**

**MATURITY SCHEDULE**

**2010 SERIES A BOND TERMS**

| <u>Maturity Date</u> | <u>Principal Amount</u>                   | <u>Interest Rate</u> | <u>Price or Yield</u> | <u>CUSIP No.**</u> |
|----------------------|-------------------------------------------|----------------------|-----------------------|--------------------|
| October 1, 20__      | \$ _____                                  | _____ %              | _____ %               | _____              |
| October 1, 20__      | \$ _____                                  | _____ %              | _____ %               | _____              |
| \$                   | % Term Bonds due October 1, 20__ at _____ | %                    | CUSIP No. _____       |                    |
| \$                   | % Term Bonds due October 1, 20__ at _____ | %                    | CUSIP No. _____       |                    |
| \$                   | % Term Bonds due October 1, 20__ at _____ | %                    | CUSIP No. _____       |                    |
| \$                   | % Term Bonds due October 1, 20__ at _____ | %                    | CUSIP No. _____       |                    |
| \$                   | % Term Bonds due October 1, 20__ at _____ | %                    | CUSIP No. _____       |                    |
| \$                   | % Term Bonds due October 1, 20__ at _____ | %                    | CUSIP No. _____       |                    |
| \$                   | % Term Bonds due October 1, 20__ at _____ | %                    | CUSIP No. _____       |                    |
| \$                   | % Term Bonds due October 1, 20__ at _____ | %                    | CUSIP No. _____       |                    |
| \$                   | % Term Bonds due October 1, 20__ at _____ | %                    | CUSIP No. _____       |                    |
| \$                   | % Term Bonds due October 1, 20__ at _____ | %                    | CUSIP No. _____       |                    |
| \$                   | % Term Bonds due October 1, 20__ at _____ | %                    | CUSIP No. _____       |                    |

\* Preliminary, subject to change.

THE 2010 SERIES A BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(A)(2) OF THE SECURITIES ACT. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN.

The information set forth herein has been obtained from the District, public documents, records and other sources that are deemed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2010 Series A Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the District or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the District, since the date hereof.

Statements contained in this Official Statement that involve estimates, forecasts, or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as representations of facts. This Official Statement is submitted in connection with the sale of the securities referred to herein, and may not be reproduced or used, in whole or in part, for any other purposes.

#### Forward Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimated," "forecasted," "intended," "expected," "anticipated," "projected" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD LOOKING STATEMENTS.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2010 SERIES A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SEC OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSIONS OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING SECURITIES COMMISSIONS OR REGULATORY AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY

OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

\*\* CUSIP data on the cover page is provided by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. The CUSIP numbers on the cover page hereof are being provided solely for the convenience of the Owners of the 2010 Series A Bonds only at the time of issuance of the 2010 Series A Bonds and neither the Underwriter nor the District make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2010 Series A Bonds.



## TABLE OF CONTENTS

Page No.

|                                            |    |
|--------------------------------------------|----|
| INTRODUCTION .....                         | 1  |
| SOURCES AND USES OF FUNDS .....            | 2  |
| THE 2010 SERIES A BONDS .....              | 3  |
| SECURITY FOR THE 2010 SERIES A BONDS ..... | 5  |
| THE SYSTEM .....                           | 8  |
| INVESTMENT CONSIDERATIONS .....            | 21 |
| LITIGATION .....                           | 22 |
| LEGAL MATTERS .....                        | 22 |
| TAX MATTERS .....                          | 22 |
| UNDERWRITING .....                         | 24 |
| ACCOUNTANT'S CALCULATIONS .....            | 24 |
| FINANCIAL STATEMENTS OF THE DISTRICT ..... | 25 |
| CONTINUING DISCLOSURE .....                | 25 |
| MISCELLANEOUS .....                        | 25 |

### Appendices:

- Appendix A - General Information Regarding Jefferson County
- Appendix B - Audited Financial Statement for Fiscal Year Ended June 30, 2009
- Appendix C - Proposed Form of Bond Counsel Opinion
- Appendix D - Bond Resolution
- Appendix E - Proposed Form of Continuing Disclosure Agreement

---

## **JEFFERSON COUNTY PUBLIC SERVICE DISTRICT**

---

### **PUBLIC SERVICE BOARD**

Joseph A. Hankins, Chairman  
James D. Cummins, Secretary  
Peter L. Appignani, Treasurer

### **ADMINISTRATION**

Susanne Lawton, General Manager

### **BOND COUNSEL**

Spilman Thomas & Battle, PLLC  
Charleston, West Virginia

### **COUNSEL TO THE DISTRICT**

James V. Kelsh, Esquire  
Charleston, West Virginia

### **UNDERWRITER**

Crews & Associates, Inc.  
Charleston, West Virginia

### **UNDERWRITER'S COUNSEL**

Steptoe & Johnson PLLC  
Clarksburg, West Virginia

# OFFICIAL STATEMENT

relating to

**\$1,940,000\***

## **JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA) SEWER REFUNDING REVENUE BONDS, 2010 SERIES A**

### **INTRODUCTION**

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning Jefferson County Public Service District (the "District"), the District's sewerage system, as hereinafter described and defined, and the District's Sewer Refunding Revenue Bonds, 2010 Series A (the "2010 Series A Bonds"). The 2010 Series A Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), and a bond resolution adopted by the Board of the District on April 6, 2010 (collectively, the "Resolution").

The 2010 Series A Bonds are being issued to (i) finance the current refunding and repayment in full of the District's outstanding Series 1998 A Bonds (hereinafter defined); (ii) to fund a debt service reserve account for the 2010 Series A Bonds; and (iii) to pay costs of issuance of the 2010 Series A Bonds and related costs.

The District currently has outstanding its: (i) Sewer Revenue Bonds, Series 1988 B (West Virginia Water Development Authority), dated May 5, 1988, issued in the original aggregate principal amount of \$425,767 (the "Series 1988 B Bonds"); (ii) Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of \$971,000 (the "Series 1993 A Bonds"); (iii) Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 (the "Series 1998 A Bonds"); (iv) Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program), dated June 25, 1998, issued in the original aggregate principal amount of \$599,089 (the "Series 1998 B Bonds"); (v) Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund), dated June 25, 1998, issued in the original aggregate principal amount of \$662,039 (the "Series 1998 C Bonds"); (vi) Sewer Revenue Bonds, Series 1999 A (West Virginia SRF Program), dated December 8, 1999, issued in the original aggregate principal amount of \$378,363 (the "Series 1999 A Bonds"); (vii) Sewer Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of \$1,154,889 (the "Series 2000 A Bonds"); and (viii) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated June 18, 2008, issued in the original aggregate principal amount of \$2,005,000 (the "Series 2008 A Bonds") (collectively, hereinafter called the "Prior Bonds"). The resolutions pursuant to which the Prior Bonds were issued are hereinafter collectively called the "Prior Resolutions."

The District also has outstanding its Refunding Sewerage System Bond Anticipation Notes, Series 2010 (the "Notes"), dated January 6, 2010, issued in the aggregate principal amount of \$750,000. The Notes are payable only from and secured by a first lien on (i) the proceeds of revenue bonds or other obligations of the District to be issued subsequent to the issuance of the Notes to permanently finance the costs of certain improvements to the public sewerage system of the District; (ii) the proceeds of any grants received by the District for the Project, and (iii) the Surplus Revenues, if any, of the System. The Notes are subordinate in all respects to the Prior Bonds.

The 2010 Series A Bonds are payable from and secured by the Net Revenues (as defined in the Resolution) derived from the System on a parity with the Prior Bonds and from funds on deposit in the 2010 Series A Bonds Sinking Fund and the 2010 Series A Bonds Reserve Account. The 2010 Series A Bonds shall be senior and prior, with respect to lien on, source of and security for payment, to the Notes.

The District collects Capital Improvement Fees and Capacity Assurance Fees for its public sewerage system (the "System") pursuant to orders of the West Virginia Public Service Commission permitting and directing the same. The Capital Improvement Fees and Capacity Assurance Fees are not a part of the Net Revenues of the System which serve as security for the 2010 Series A Bonds and the Prior Bonds. See "THE SYSTEM- Capital Improvement Fees and Capacity Assurance Fees".

The 2010 Series A Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the 2010 Series A Bonds, or any premium (if any), or the interest thereon, except from such Net Revenues and such funds on deposit for the 2010 Series A Bonds. Pursuant to the Resolution, the District has covenanted and agreed to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby as will always produce Net Revenues equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the 2010 Series A Bonds, the Prior Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the 2010 Series A Bonds, including the Prior Bonds. See "SECURITY FOR THE 2010 SERIES A BONDS - Rate Covenant."

The District may issue additional bonds on a parity with the 2010 Series A Bonds and the Prior Bonds for the purpose of (i) financing the costs of acquisition or construction of additions, betterments and improvements to the System, or (ii) the refunding of any outstanding Bonds, or (iii) all of such purposes, subject, in each case, to certain tests and conditions provided for by the Resolution or the Prior Resolutions (the 2010 Series A Bonds, the Prior Bonds and any such additional parity bonds are sometimes hereinafter referred to as the "Bonds"). See "SECURITY FOR THE 2010 SERIES A BONDS - Additional Parity Bonds."

Brief descriptions of the 2010 Series A Bonds, the Resolution, the System, the District, continuing disclosure and certain provisions of the Act, are set forth in this Official Statement, as well as other information contained in the appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Resolution, provisions of the Act and other applicable laws of the State are qualified in their entirety by reference to each such document or law. References herein to the 2010 Series A Bonds are qualified in their entirety by reference to the form thereof included in the Resolution and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement have the respective meanings given them in the Resolution.

## SOURCES AND USES OF FUNDS

### Sources of Funds

|                                                      |                 |
|------------------------------------------------------|-----------------|
| Par Amount of 2010 Series A Bonds                    | \$ _____        |
| Less: Original Issue Discount                        | (\$ _____)      |
| Funds on Deposit in Series 1998 A Bonds Sinking Fund | \$ _____        |
| Funds on Deposit in Series 1998 A Bonds Reserve Fund | \$ _____        |
| <b>TOTAL</b>                                         | <b>\$ _____</b> |

### Uses of Funds

|                                     |                 |
|-------------------------------------|-----------------|
| 2010 Series A Bonds Sinking Fund    | \$ _____        |
| 2010 Series A Bonds Reserve Account | \$ _____        |
| Escrow Deposit Fund*                | \$ _____        |
| Deposit to Cost of Issuance Fund**  | \$ _____        |
| <b>TOTAL</b>                        | <b>\$ _____</b> |

\* An amount of the proceeds of the 2010 Series A Bonds together with other moneys or securities sufficient to accomplish the refunding of the Series 1998 A Bonds.

\*\* Includes: Underwriter's Discount, and professional fees associated with the issuance of the 2010 Series A Bonds.

## THE 2010 SERIES A BONDS

### General

Interest on the 2010 Series A Bonds will accrue from the date of delivery and will be payable October 1, 2010 and semi-annually thereafter (each April 1 and October 1) in each year to maturity. Such interest will be paid by check to the registered owner on each such interest payment date at his address as shown on the registration books kept for that purpose by the Registrar as of the 15th day of the month preceding each such Interest Payment Date. In the case of an owner of \$500,000 or more of the Bonds, interest may be paid to such owner by wire transfer to a domestic bank account specified in writing to the Paying Agent at least five days prior to an Interest Payment Date.

### Book-Entry Bonds

The 2010 Series A Bonds will be available to individual purchasers in book-entry form only. Purchasers of the 2010 Series A Bonds will not receive certificates representing their interests in the 2010 Series A Bonds purchased.

The Depository Trust Company ("DTC"), New York, New York will act as securities depository ("Securities Depository") for the 2010 Series A Bonds. The 2010 Series A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the 2010 Series A Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited purpose trust company organized under New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need of physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange LLC, the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of the 2010 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Series A Bonds in DTC's records. The ownership interest of each actual purchaser of each 2010 Series A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2010 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2010 Series A Bonds, except in the event that use of the book-entry system for the 2010 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2010 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2010 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2010 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their

customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

All redemption notices shall be sent to Cede & Co. If less than all of the 2010 Series A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2010 Series A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2010 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the 2010 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividends to Cede & Co., (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2010 Series A Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

For every transfer and exchange of the 2010 Series A Bonds, the Registrar may charge DTC, and DTC may charge the Participants and the Participants may charge the Beneficial Owners, sums sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

In the event the District determines that it is in the best interest of the Beneficial Owners that they may be able to obtain 2010 Series A Bond certificates, the District may notify DTC and the Registrar, whereupon DTC will notify the Participants, of the availability through DTC of 2010 Series A Bond certificates. In such event, the Registrar shall cause to be issued, transferred and exchanged 2010 Series A Bond certificates as requested by DTC as Bondholder in appropriate amounts. DTC may determine to discontinue providing its service with respect to the 2010 Series A Bonds at any time by giving notice to the District and the Registrar and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor Securities Depository), the District and the Registrar shall be obligated to deliver 2010 Series A Bond certificates as described in the Resolution. In the event the 2010 Series A Bond certificates are issued, the provisions of the Resolution shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal or redemption price of and interest on such 2010 Series A Bond certificates. Whenever DTC

requests the District and the Registrar to do so, the Registrar and the District will cooperate with DTC in taking appropriate action after reasonable notice (a) to make available one or more separate certificates evidencing the 2010 Series A Bonds to any Participant having the 2010 Series A Bonds credited to its DTC account or (b) to arrange for another securities depository to maintain custody of certificates evidencing the 2010 Series A Bonds.

### Optional Redemption

The 2010 Series A Bonds are not subject to optional redemption prior to \_\_\_\_\_. At the option of the District, the 2010 Series A Bonds will be subject to redemption prior to maturity on and after October 1, \_\_\_\_\_, as a whole at any time and in part on any Interest Payment Date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price equal to the principal amount being redeemed, plus interest accrued to the date fixed for redemption.

### Mandatory Sinking Fund Redemption

The 2010 Series A Bonds maturing \_\_\_\_\_ are subject to mandatory redemption prior to their stated Maturity Date, in part, from payments deposited in the 2010 Series A Bonds Redemption Account, on \_\_\_\_\_ 1 in the years set forth below. The redemption price will be 100% of the principal amount of the 2010 Series A Bonds to be so redeemed plus accrued interest, if any, to the redemption date. On the following dates, such maturity of 2010 Series A Bonds shall be redeemed or paid in the amounts set forth opposite each such date:

Maturing \_\_\_\_\_ 1, 20 \_\_\_\_\_

Year

Principal Amount

\_\_\_\_\_  
\*Denotes final maturity

### SECURITY FOR THE 2010 SERIES A BONDS

The 2010 Series A Bonds are special obligations of the District and are payable as to principal, premium, if any, and interest solely from the sources described below. The District is under no obligation to pay the 2010 Series A Bonds except from said sources.

### Sources of Payment

The payment of the debt service on the 2010 Series A Bonds shall be secured equally and ratably by a first lien on the Net Revenues derived from the System, on a parity with the lien on such Net Revenues in favor of the owners of the Prior Bonds, and senior and prior, with respect to lien on, source of and security for payment to the Notes. Such Net Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the 2010 Series A Bonds and the Prior Bonds and to make all other payments provided for in the Resolution, are irrevocably pledged to such payments as they become due.

### Rate Covenant

The District covenants and agrees in the Resolution that the schedule of rates and charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the 2010 Series A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the 2010 Series A Bonds, including the Prior Bonds.

## **Reserve Account**

Pursuant to the Resolution, there will be established with the Commission within the 2010 Series A Bonds Sinking Fund, the 2010 Series A Bonds Reserve Account in an amount equal to the 2010 Series A Bonds Reserve Requirement. The "2010 Series A Bonds Reserve Requirement" is defined under the Resolution, as of any date of calculation, as the lesser of (i) 10% of the original stated principal amount of the 2010 Series A Bonds; (ii) the maximum amount of principal and interest which will become due on the 2010 Series A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the 2010 Series A Bonds. Moneys in the 2010 Series A Bonds Reserve Account shall be used only to pay principal of and interest on the 2010 Series A Bonds as due, when amounts in the 2010 Series A Bonds Sinking Fund are insufficient therefor; provided, that no payments shall be required to be made into the 2010 Series A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the 2010 Series A Bonds Reserve Requirement. The District shall transfer to the 2010 Series A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the 2010 Series A Bonds Reserve Account below the 2010 Series A Bonds Reserve Requirement or any withdrawal from the 2010 Series A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the 2010 Series A Bonds Reserve Account results in a determination that the amount of moneys and the value of the Qualified Investments deposited to the credit of the 2010 Series A Bonds Reserve Account is less than the 2010 Series A Bonds Reserve Requirement, or (b) any amount is withdrawn from the 2010 Series A Bonds Reserve Account for deposit into the 2010 Series A Bonds Sinking Fund.

## **Renewal and Replacement Fund**

The District is required (as previously set forth in the 1998 Resolution and not in addition thereto) to transfer from the Revenue Fund to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any reserve account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required) shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

## **Application of Revenues**

The entire Gross Revenues derived from the operation of the System are to be deposited in the Revenue Fund established with a state banking corporation or national banking association selected by the District (the "Depository Bank"), for disposition in the following order of priority: (1) first, to pay the current monthly Operating Expenses of the System; (2) next, remit to the Commission (i) the amounts required by the Prior Resolutions for deposit to the Sinking Funds of the Prior Bonds for payment of interest, if any, on and the principal of the Prior Bonds, (ii) for monthly deposit in the 2010 Series A Bonds Sinking Fund, a sum equal to 1/6 of the amount of interest which will become due on the 2010 Series A Bonds on the next ensuing semiannual Interest Payment Date, and (iii) for monthly deposit in the 2010 Series A Bonds Sinking Fund, a sum equal to 1/12 of the amount of principal which will mature or be redeemed and become due on the 2010 Series A Bonds on the next ensuing Principal Payment Date or mandatory redemption date (provided, that until the first Interest Payment Date, the District shall make equal monthly payments into the Sinking Funds as will be sufficient to pay principal and interest due on the first principal and interest payment date); (3) next, remit to the Commission the amounts required by the Prior Resolutions to be deposited in the respective Reserve Accounts of the Prior Bonds, and then for restoration of any deficiency in the funding of the 2010 Series A Bonds Reserve Account; and (4) next, for monthly transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of Gross Revenues each month, exclusive of any payments for account of any Reserve Account. As described under "Sources of Payment" above, the 2010 Series A Bonds and the Prior Bonds are secured by a first parity lien on the Net Revenues of the System.

## **Enforcement of Collections**

The District covenants in the Resolution to diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals and other charges that shall become delinquent to the full extent permitted



or authorized by the Act, the rules and regulations of the West Virginia Public Service Commission and other laws of the State. Under the Act, all such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

The District further covenants and agrees that it will, to the full extent permitted by law and regulations promulgated by the PSC, discontinue and shut off the services and facilities of the System, and any services and facilities of the waterworks system if so owned by the District, to all delinquent users of the System (or waterworks system) and will not restore such services of the System, or the water distribution services of the District, until all billing for charges for the services and facilities of the System, plus reasonable interest and penalty charges for the restoration of service, has been fully paid. (See "THE SYSTEM - Customer Statistics"). If the waterworks system is not owned by the District, the District shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

#### **Additional Parity Bonds**

The Resolution provides for the issuance of additional bonds on a parity with the 2010 Series A Bonds and the Prior Bonds (limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable) with respect to lien on, source of and security for payment from Net Revenues of the District's sewerage system (the "Parity Bonds") for the following purposes and under the following conditions:

No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions and improvements to the System or refunding any series of Bonds, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountant, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

- A. The Bonds then Outstanding;
- B. Any Parity Bonds theretofore issued pursuant to the provisions contained in the Resolution then Outstanding; and
- C. The Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates adopted by the District and approved by the PSC, the period for appeal of which has expired prior to the date of issuance of such additional Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountant, on account of increased rates, rentals, fees and charges for the System adopted by the District and approved by the PSC, the period for appeal of which has expired prior to issuance of such additional Parity Bonds.

All covenants and other provisions of the Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with the Resolution. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their

lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The District shall comply fully with all the increased payments into the various funds and accounts created in the Resolution required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to the Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the 2010 Series A Bonds on such revenues. The District shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in the Resolution, equally, as to lien on and source of and security for payment from such revenues, with the 2010 Series A Bonds.

No Parity Bonds shall be issued at any time, however, unless all the payments into the respective funds and accounts provided for in the Resolution with respect to any Bonds then outstanding, and any other payments provided for in the Resolution, shall have been made in full as required to the date of delivery of the Parity Bonds, and the District shall then be in full compliance with all the covenants, agreements and terms of the Resolution.

## **THE SYSTEM**

### **History and Development**

The District was created pursuant to an Order entered by The County Commission of Jefferson County on December 1, 1983. The District was created exclusively for the purposes provided in the Act, initially to provide solely sewerage services, with its powers being subsequently expanded to also permit the provision of waterworks services. However, the District does not currently provide water treatment or distribution services to its customers. The service territory of the District includes the entire geographic area known as Jefferson County, with the exception of the service territories served by municipal utility systems and other public service districts.

For the District's fiscal year ending June 30, 2009, the District had 2,083 residential, 136 commercial, 8 industrial and 9 public authority sewerage customers, for a total customer base of 2,236 units. For fiscal year ending June 30, 2009, the District generated total revenues from its sewerage system of \$1,850,988, of which \$315,144.84 or 16.9% was generated from the District's top ten sewerage customers. The District's sewerage system reported a \$115,825 net loss in its fiscal year ending June 30, 2009 audited financial statements. The District petitioned, and obtained approval from, the Public Service Commission of West Virginia, pursuant to a Commission Order entered on April 7, 2010, in Case No. 09-1915-PSD-42T-PC, for a sewer rate increase effective April 9, 2010. The increased sewer rates and charges represent a 7.3% increase over the rates previously in effect.

The revenues generated by the sewer rates which became effective on April 9, 2010, will be sufficient, in the opinion of the District's accountants, CoxHollidaPrice LLP, to produce revenues sufficient to pay the costs of operating and maintaining the System, funding the debt service requirements for the 2010 Series A Bonds and the Prior Bonds, and meeting the rate coverage requirements of the 2010 Series A Bonds and the Prior Bonds.

The District charges Capital Improvement Fees and Capacity Assurance Fees each in the amount of \$7,500 per equivalent dwelling unit under the conditions and strictly for the purposes which have been approved by the Public Service Commission. The Capital Improvement Fees and Capacity Assurance Fees are not a part of the Net Revenues of the System which serve as security for the 2010 Series A Bonds and the Prior Bonds.

A portion of the wastewater collected by the District's sewerage system is treated by the City of Charles Town pursuant to a Sewer Service Agreement, dated April 29, 1988 (the "1988 Agreement"), by and between Charles Town, the District and the Corporation of Ranson ("Ranson"), as the same is amended by the Amendment to Sewer Service Agreement, dated July 11, 2005 (the "Amendment to 1988 Agreement"), by and between such parties, and as the same has been amended pursuant to Order of the Public Service Commission. The 1988 Agreement, together with the Amendment to 1988 Agreement, is to remain in full force and effect until such time as the revenue bonds contemplated by the Amendment to 1988 Agreement are paid and discharged. In the event the bonds are defeased and the balance due thereon is refinanced by the issuance of new revenue bonds, a party may opt into a

payment schedule for the refinanced bonds, in which case the Amendment to 1988 Agreement shall continue in full force and effect with respect to such party until the reissued revenue bonds are paid and discharged; or, alternatively, a party may elect to pay in full an amount of money sufficient to allow that party's share of the balance of the revenue bond debt contemplated by the Amendment to 1988 Agreement to be defeased.

### **Public Service Board**

The District is governed by a three-member Public Service Board. The members are appointed by the County Commission for staggered six-year terms. Annually, at the first calendar year meeting, the Board must elect officers including a Chairman, a Secretary and a Treasurer. The Secretary and Treasurer need not be members of the Board. The Board members, officers and terms are listed below:

| Board Member                  | Term                |
|-------------------------------|---------------------|
| Joseph A. Hankins, Chairman   | 12/1/2005-11/30/11  |
| James D. Cummins, Secretary   | 12/13/2007-11/30/13 |
| Peter L. Appignani, Treasurer | 12/10/2009-11/30/15 |

At the regular meeting of the Board held on June 7, 2010, the Board appointed James D. Cummins to serve as Acting Chairman in the absence of Joseph E. Hankins until such time as Mr. Hankins resumes his duties as Chairman. The Board employs a General Manager for the System and other personnel and consultants. Susanne Lawton joined the District staff in 2002 and has served as General Manager for the past 8 years. Ms. Lawton is responsible for the operation, maintenance and administration of the District. In addition to the General Manager, the District employs a Finance Manager, Operations Manager, six other full-time employees and one part time employee.

James V. Kelsh, Esquire, Charleston, West Virginia, provides legal services to the District and CoxHollidaPrice LLP, Certified Public Accountants and Consultants, Martinsburg, West Virginia, provides accounting services for the District. Engineering services are obtained by the District as needed for project development and construction.

### **Summary of Future Capital Improvement Plans**

The District has planned a number of improvements to its existing wastewater treatment system over the next ten (10) years in order to provide for the expanding number of residences and businesses that the service area of the District has experienced in recent years. The following is a summary of the ongoing capital improvements being undertaken by the District with respect to its wastewater treatment system together with the planned capital improvements for the next ten (10) years.

Flowing Springs Sewer Treatment Plant - The District is in the planning phase of construction of the Flowing Springs wastewater treatment plant. The District estimates the cost of the one million gallons a day treatment plant to be approximately \$26,500,000. The District is planning to finance this project with bond financing through the West Virginia Department of Environmental Protection Clean Water State Revolving Loan Fund in the amount of \$25,500,000, at 0% interest for thirty years with a 1/2% administration fee. The District has also received a \$1,000,000 funding commitment from the Jefferson County Development Authority. The West Virginia DEP is currently reviewing the plans and specifications for the project and application has been made to the West Virginia Public Service Commission for approval of this project and the related financing therefore.

Norborne Glebe Project - The Norborne Glebe project is an alternate main line extension that will service the Norborne Glebe subdivision. At full build-out the project would service approximately 1,000 homes, of which 71 homes are currently on the District's billing system. This project is being built by the developer and upon completion will be turned over to the District. Phase I was turned over to the District in September 2005. The estimated date of completion for the remainder of the project is 2015 with an estimated total cost of \$500,000.

Sheridan Project - The Sheridan development is currently being served by the privately owned Old Standard sewage treatment plant. There is an alternate main line extension agreement indicating the District will serve the entire development when the Old Standard sewage treatment plant is fully conveyed to the District. There are approximately 37

homes currently constructed in the development and the full build out of Sheridan is projected to be 178 homes. The homes in Sheridan are customers of the developer until the developer conveys the plant to the District.

Old Standard - The Old Standard sewage treatment plant was constructed on 2.5 acres of land that has been conveyed to the District by the Developer of Sheridan and the Old Standard sewage treatment plant. According to agreements between the Developer and the District, the Developer will turn the treatment plant over to the District for \$1.00 along with the customers from Sheridan. At this point, it is anticipated that the plant would be recorded as an asset in the amount of \$4,500,000 on the District's books. The District anticipates that this will take place within the next couple of years.

Wormald/Beallair Project - This is an alternate mainline extension that will service the Wormald/Beallair subdivision. The project is projected to service approximately 627 homes upon final build out, of which 50 units are currently online. Homes for which a commitment letter has not been executed timely will pay a flat monthly rate. This project is being built by the developer and upon completion will be turned over to the District for \$1.00. The estimated cost is currently unavailable. The District has accepted 1 pump station and lines for 1-49.

Spruce Hill North Project - The Spruce Hill North project is an alternate mainline extension that will service the Spruce Hill North subdivision. The project will service approximately 119 homes upon final build out, of which 39 units are currently on the District's billing system. This project is being built by the developer and upon completion will be turned over to the District. The total estimated cost is approximately \$100,000.

Jefferson Crossing II - Jefferson Crossing II is a shopping center with a main "strip" consisting of a grocery store as the anchor and approximately four other stores. It has two other "strips" with a number of stores in each, two main restaurants, a car wash and two medical office buildings. Currently there are 24 customer bills each month, some covering a number of units. A few large lots remain to be built upon in the future.

#### Customer Statistics

The table and chart below depict the customer base of the District for the last 5 fiscal years.

| Customer Description | ---June 30, 2005--- |            | ---June 30, 2006--- |            | ---June 30, 2007--- |            | ---June 30, 2008--- |            | ---June 30, 2009--- |            |
|----------------------|---------------------|------------|---------------------|------------|---------------------|------------|---------------------|------------|---------------------|------------|
|                      | Customer Count      | Change (#) | Customer Count      | Change (#) | Customer Count      | Change (#) | Customer Count      | Change (#) | Customer Count      | Change (#) |
| Residential          | 1,827               | 287        | 1,877               | 50         | 1,834               | 107        | 1,930               | 96         | 2,083               | 153        |
| Commercial           | ----                | ----       | ----                | ----       | 148                 | 15         | 142                 | (6)        | 136                 | (6)        |
| Industrial           | ----                | ----       | ----                | ----       | 8                   | ----       | 8                   | ----       | 8                   | ----       |
| Public Authorities   | ----                | ----       | ----                | ----       | 9                   | ----       | 9                   | ----       | 9                   | ----       |
| Totals:              | 1,827               | 287        | 1,877               | 50         | 1,999               | 122        | 2,089               | 90         | 2,236               | 147        |

Source: Jefferson County Public Service District; Public Service Commission Annual Reports

The following table sets forth the ten (10) largest sewer customers of the District and the percentage of total sewer revenues as of June 30, 2009:

| Customer<br>Name            | Revenues     | Percentage |
|-----------------------------|--------------|------------|
| Job Corp                    | \$72,797.42  | 3.9 %      |
| Cranes Meadow Apartments    | \$46,121.44  | 2.5 %      |
| Holiday Inn Express         | \$41,166.90  | 2.2 %      |
| Genesis Eldercare           | \$35,759.75  | 1.9 %      |
| Mockingbird Hill (Parkview) | \$29,544.88  | 1.6 %      |
| Mockingbird Hill (Woodland) | \$28,638.21  | 1.5 %      |
| Royal Vendors               | \$16,110.17  | 0.9 %      |
| Applebee's                  | \$15,487.95  | 0.8 %      |
| Martin's Grocery Store      | \$14,822.93  | 0.8 %      |
| Southern Courts (Turf)      | \$14,695.19  | 0.8 %      |
| Totals:                     | \$315,144.84 | 16.9 %     |

Source: Jefferson County Public Service District

The table and chart below depict the volume of water sold to the customers of the District on which sewer billings are based, for the last 5 fiscal years.

| Customer<br>Description | June 30, 2005    |               | June 30, 2006    |               | June 30, 2007    |               | June 30, 2008    |               | June 30, 2009    |               |
|-------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
|                         | Gallons<br>Sold* | Change<br>(%) | Gallons<br>Sold* | Change<br>(%) | Gallons<br>Sold* | Change<br>(%) | Gallons<br>Sold* | Change<br>(%) | Gallons<br>Sold* | Change<br>(%) |
| Residential             | 78,306           | -----         | 89,790           | 14.7%         | 87,247           | (2.8%)        | 96,199           | 10.3%         | 96,199           | -----         |
| Commercial              | 19,180           | -----         | 19,853           | 3.5%          | 31,074           | 56.5%         | 30,901           | (1%)          | 38,009           | 23%           |
| Industrial              | 3,354            | -----         | 3,480            | 3.8%          | 5,227            | 50.2%         | 4,750            | (9.1%)        | 4,750            | ----          |
| Public**<br>Authorities | 9,605            | -----         | 11,302           | 17.7%         | 6,223            | (44.9%)       | 15,754           | 153%          | 15,754           | ----          |
| Totals:                 | 110,445          | -----         | 124,425          | 12.7%         | 129,771          | 4.3%          | 147,604          | 13.7%         | 154,712          | 4.8%          |

\* Gallons are in thousands per year.

\*\* For the fiscal year ending June 30, 2007, the District adjusted one of its public authority customer's billings as a result of a billing error.

Source: Jefferson County Public Service District; Public Service Commission Annual Reports

## Rates

Pursuant to the Act, the sewer rates and charges of the District are set by the Public Service Commission of West Virginia for the use of and the service rendered by the sewerage system of the District sufficient for the payment of sums required to be paid into the various sinking and reserve funds and to provide for the repair, replacement, maintenance and operation of the System.

## **Current Rates**

The table below provides the current sewer rates for the customers of the District as approved by the Public Service Commission:

### **JEFFERSON COUNTY PUBLIC SERVICE DISTRICT CASE NO. 09-1915-PSD-42T-PC**

#### **APPROVED RATES**

##### **APPLICABILITY**

Applicable within the entire territory served.

##### **AVAILABILITY**

Available for general domestic, commercial and industrial service.

##### **RATES (customers with a metered water supply)**

\$12.71 per thousand gallons of metered water usage.

##### **MINIMUM CHARGE**

No bill will be rendered for less than \$31.78 per month.

##### **FLAT RATE CHARGE (customers with non-metered water supply)**

Equivalent of 4,500 gallons of water usage, \$57.20 per month.

##### **MULTIPLE OCCUPANCY**

For unmetered trailer parks, the monthly charge for services shall be equal to the number of units multiplied by the unmetered charge provided above.

##### **TRANSPORTATION CHARGE**

A monthly charge of \$1,009 per month will be imposed upon the City of Charles Town for reimbursement of fixed debt associated with lift stations needed to transport Charles Town's sewage from the former Sanitary Associates service area. The charge will be imposed until the indebtedness is satisfied. In addition to the monthly charge of \$1,009, a transportation charge of \$1.65 per thousand gallons shall apply to all flows from the former Sanitary Associates area.

##### **DELAYED PAYMENT PENALTY**

The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

##### **TAP FEE**

The following charge is to be made whenever the utility installs a new tap to serve an applicant:

A tap fee of \$250.00 will be charged to customers applying for service outside of a certificate proceeding before the Commission for each new tap to the system.

##### **DISCONNECT - RECONNECT FEES**

Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement with the City of Charles Town, a disconnection fee of \$10.00 shall be charged. Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement with Jefferson Utilities, Inc., a disconnection fee of \$20.00 shall be charged.

Whenever water service, which has been previously disconnected or otherwise withheld for non-payment of a sewer bill in conjunction with a water service termination agreement with the City of Charles Town is

reconnected, a reconnection fee of \$10.00 shall be charged. Whenever water service, which has been previously disconnected or otherwise withheld for non-payment of a sewer bill in conjunction with a water service termination agreement with Jefferson Utilities, Inc., is reconnected, a reconnection fee of \$20.00 shall be charged.

#### LEAK ADJUSTMENT INCREMENT

\$4.82 per M gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. The rate is used to calculate consumption above the customer's historical usage.

#### RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the sewer utility up to a maximum of \$25.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

#### CAPITAL IMPROVEMENT FEE

As used in this section, a "Developer" is defined as "a person, corporation, or entity who is in the business of land and/or commercial or housing development for profit, or a person, corporation, or entity who requests an alternate main line extension that includes the installation of mains by the person, corporation or entity."

As used in this section, a "Previously Developed Tract" is defined as property previously subdivided for commercial or housing development, for profit.

On and after January 14, 2009, Developers and resale customers (in instances of developer connections), and those seeking a new sewer connection for a Previously Developed Tract shall pay to the District a capital improvement fee (CIF) for connections made to the sewer system of an unserved structure or facility. For Developers and those seeking a new sewer connection for a Previously Developed Tract, the CIFs are due as of the date of the entry into the final sewer availability agreement with the Jefferson County Public Service District. For resale customers making developer connections, the CIF is due the month following the date a new customer of the District's resale customer to which the CIF is applicable connects to the facilities of the District's resale customer.

The capital improvement fee shall be \$7,500.00 per equivalent dwelling unit (EDU). Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth below.

#### CAPITAL ASSURANCE FEE

Developers, those seeking to assure capacity for a Previously Developed Tract, and resale customers of the District (in instances of developer connections) may execute a Capacity Assurance Agreement (CAA) and pay a Capital Assurance Fee (CAF) to the District in the amount of \$7,500.00 per EDU. Execution of the CAA and payment of the CAF shall entitle the payee to a reservation of capacity as provided in the CAA.

At such time as the reserved capacity is called upon by the entity paying a CAF, the CAF will be treated by the District as a credit, without interest, against the District's then effective CIF. Subject to this credit, entities that have paid a CAF remain responsible for payment of the District's then effective CIF for construction on property identified in the CAA.

#### **Billing and Collections**

The District renders a monthly bill to all customers of the System. Payments are due 20 days after the billing date. If a bill remains unpaid beyond the due date, a 10 percent penalty is added to the delinquent account and delinquency procedures are initiated, beginning with a past due notice which is sent the day after the date payment becomes delinquent. The past due notice provides a 10-day period to render payment. Following this 10-day period, the customers are then notified by phone or in person that they have 24 hours to pay the past due balance or water service will be disconnected (in the case of metered customers). At this time unmetered customers are also directed that their delinquent account will be referred for collection and the placement of a lien upon the property served if payment is not rendered. Following these notices, if payment is not received from unmetered customers the District

refers the account for collection in order to obtain a judgment against the account owner and thereupon place a lien upon the real property which is served by the District. For unmetered customers water service on a delinquent account remains terminated until payment of the sewer account is made. A disconnection and reconnection charge of \$20.00 each for Jefferson Utilities customers, and a \$10.00 charge each for Charles Town customers is required to reinstate a previously delinquent account. The District has a written Water Service Termination Agreement with the City of Charles Town, which is dated April 2, 1990, and which is effective for successive ten year periods thereafter unless terminated in writing by one of the parties thereto. The District does not presently have a written Water Service Termination Agreement with Jefferson Utilities, which serves approximately 950 of the District's customers. The District follows the rules established by the West Virginia Public Service Commission concerning collection of delinquent accounts.

The District has a policy of writing off accounts determined to be uncollectable. Also, the District has made a provision with respect to operating expenses on its balance sheets pertaining to the System for doubtful accounts, as follows:

#### Summary of Doubtful Accounts

| Year Ended<br>June 30 | Provision for<br>Doubtful Accounts | Year Ended<br>June 30 | Provision for<br>Doubtful Accounts |
|-----------------------|------------------------------------|-----------------------|------------------------------------|
| 2009                  | \$10,000                           | 2007                  | \$10,000                           |
| 2008                  | \$10,000                           | 2006                  | \$10,000                           |

Deferred payment plans are available for any residential customer who can demonstrate inability to pay a System bill in full and that service termination would be dangerous to such customer's health or safety.

The table and chart below depict the operating revenues of the District's sewerage system, for the last 5 fiscal years.

| Customer<br>Description | June 30, 2005         |               | June 30, 2006         |               | June 30, 2007         |               | June 30, 2008         |               | June 30, 2009         |               |
|-------------------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
|                         | Operating<br>Revenues | Change<br>(%) | Operating<br>Revenues | Change<br>(%) | Operating<br>Revenues | Change<br>(%) | Operating<br>Revenues | Change<br>(%) | Operating<br>Revenues | Change<br>(%) |
| Residential             | 1,377,603             | ----          | 1,490,794             | 8.2%          | 1,234,242             | (17.2%)       | 1,258,236             | 1.9%          | 1,302,898             | 3.5%          |
| Commercial              | ----                  | ----          | ----                  | ----          | 409,042               | ----          | 389,158               | (4.9%)        | 364,775               | (6.3%)        |
| Industrial              | ----                  | ----          | 40,560                | ----          | 62,189                | 53.3%         | 51,797                | (16.7%)       | 25,551                | (50.7%)       |
| Public<br>Authorities   | ----                  | ----          | 130,878               | ----          | 71,350                | (45.5%)       | 171,889               | 140.9%        | 108,504               | (36.9%)       |
| Other                   | ----                  | ----          | 48,177                | ----          | 50,567                | 5.0%          | 57,438                | 13.6%         | 49,260                | (14.2)        |
| Totals:                 | 1,377,603             | ----          | 1,710,409             | 24.16%        | 1,827,390             | 6.8%          | 1,928,518             | 5.5%          | 1,850,988             | (4.0%)        |

Source: Jefferson County Public Service District; Public Service Commission Annual Reports

During fiscal year ended June 30, 2009, the District experienced a reduction in sewer revenues from industrial customers as a result of the general downturn in the national and local economies for such year. In addition, one of the District's larger customers, Job Corp, substantially decreased their usage for such fiscal year. Increased billings for the residential customer class assisted to cover the declines in the industrial and public authority customer classes.

The District has covenanted to diligently enforce and collect all fees and charges as described in "SECURITY FOR THE 2010 SERIES A BONDS -- Enforcement of Collections" herein.



## **System Budget and Expenditure**

In accordance with the Act, the management of the District shall prepare and submit to the Board of the District a tentative budget. Such tentative budget shall be considered by the Board and, subject to any revisions or amendments that may be determined by the Board, shall be adopted as the budget for the ensuing fiscal year. No expenditures for operation and maintenance expenses in excess of the budget shall be made during such fiscal year unless unanimously authorized and directed by the Board.

## **Method of Accounting**

The financial statements of the District are prepared in accordance with Generally Accepted Accounting Principles (GAAP). As a proprietary fund type, the District applies all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

Accounts of the District are organized on the basis of fund accounting under one fund, an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, except for the immaterial modification concerning inventories listed in the notes to the District's financial statements.

CoxHollidaPrice LLP, Certified Public Accountants and Consultants, Martinsburg, West Virginia, audited the records of the District for the fiscal years ended June 30, 2009 (See "Appendix B - Audited Financial Statement for Fiscal Year Ended June 30, 2009").

## **Retirement System**

All full-time employees of the District are eligible and must participate in the state Public Employees Retirement System ("PERS"). The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after reaching the age of 60 and accumulating 5 years or more of credited service in force. Benefits generally vest in varying degrees once a member attains 5 or more years of credited service in force. Employees who retire at age 60 with 5 or more years of credited service in force are entitled to pension payments for the rest of their lives equal to 2% of their final, three-year average salary times the number of years for which they were employed by a participant in the State PERS.

Pension provisions include deferred allowance whereby an employee may terminate his or her employment with the District after accumulating 5 or more years of credited service in force, but before reaching the age of 60. If the employee does not withdraw his or her accumulated contributions, the employee is entitled to certain pension benefits in accordance with the West Virginia Public Employees Retirement Act.

Pension provisions include annuity options to provide benefits to a member's nominated beneficiary if so elected. In addition, disability retirement is provided for members who meet certain requirements as specified in the Act. The District's covered payroll amounted to \$387,074 for the year ended June 30, 2009.

Employees of the District are required to pay 4.5% of their gross earnings to the pension plan. The District is required to make annual contributions to the plan equal to 11.0% of its covered payroll. The District made \$40,618 and \$37,482 of employer contributions to the plan for the years ended June 30, 2009 and 2008, respectively.

The District has received a letter dated March 16, 2010, from the State of West Virginia Consolidated Public Retirement Board, which indicates that pursuant to action taken by the Board on March 3, 2010, the employer contribution rate for PERS will be increased, effective July 1, 2010, from 11.0% of a member's gross

monthly salary to 12.5% of monthly gross salary. Information regarding the plan is available from the State of West Virginia. The District's increased sewer rates and charges which became effective on April 9, 2010, pursuant to a Commission Order entered on April 7, 2010, in Case No. 09-1915-PSD-42T-PC, included amounts necessary to account for the increased PERS rates.

### **Other Post Employment Benefits**

The District is an active participant with the West Virginia Public Employees Insurance Agency (PEIA), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. PEIA provides medical benefits to retired employees and former employees of participating and non-participating West Virginia government entities. West Virginia Code, Chapter 5, Article 16, assigns the authority to establish and amend benefit provisions to PEIA. PEIA annually issues a publically available financial report that includes financial statements and required supplementary information. That report may be obtained online from PEIA's website: [www.westvirginia.com/peia](http://www.westvirginia.com/peia).

West Virginia Code, Chapter 5, Article 16 provides that contribution requirements of the plan and the participating employers are established and may be amended by PEIA. Participating employers contribute \$140 per month per participating employee.

Participating employers are contractually required to contribute at a rate assessed each year by PEIA. PEIA sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District has not contributed to the post employment health care plan.

## Summary of Historical Revenues and Expenses

The table below lists the net income of the sewerage system operated by the District for the last 3 fiscal years as filed with the Public Service Commission of West Virginia.

| Description                                                    | Audited<br>Financials<br>06/30/07 | Audited<br>Financials<br>06/30/08 | Audited<br>Financials<br>06/30/09 |
|----------------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Operating Revenues                                             | \$1,903,916                       | \$2,022,709                       | \$1,927,484                       |
| Operating Expenses                                             | \$1,377,237                       | \$1,561,484                       | \$1,578,240                       |
| Depreciation Expenses                                          | \$526,679                         | \$303,440                         | \$330,434                         |
| Operating Income                                               | \$226,935                         | \$157,785                         | \$18,810                          |
| Non-Operating Income (Expense):                                |                                   |                                   |                                   |
| Interest Income                                                | \$52,303                          | \$38,668                          | \$10,355                          |
| Gain (Loss) on Disposal of Assets                              | (\$1,247)                         | (\$1,394)                         | \$25                              |
| Interest Expense                                               | (\$120,335)                       | (\$117,987)                       | (\$116,187)                       |
| Amortization of Debt Issue Expense and Other Assets            | (\$56,979)                        | (\$81,209)                        | (\$82,608)                        |
| Loss Due to Dropped Projects                                   | (\$1,670)                         | (\$10,266)                        | (\$878)                           |
| Miscellaneous Non-Operating Revenues                           | \$41,412                          | \$41,412                          | \$41,412                          |
| Total Non-Operating Income (Expense)                           | (\$86,516)                        | (\$130,776)                       | (\$147,881)                       |
| Increase (Decrease) in Net Assets Before Capital Contributions | \$140,419                         | \$27,009                          | (\$129,071)                       |
| Capital Contributions                                          | \$276,250                         | ----                              | \$13,246                          |
| Increase (Decrease) in Net Assets                              | \$416,669                         | \$27,009                          | (\$115,825)*                      |

Source: Jefferson County Public Service District Audited Financial Statements and PSC Reports.

\* See The System – Coverage Ratios contained herein for further detail.

## Annual Debt Service Requirements

The following table sets forth for each fiscal year during which the 2010 Series A Bonds will be outstanding the amounts payable from Net Revenues as principal of and interest on the 2010 Series A Bonds.

### 2010 Series A Bonds

| FY Ending<br>June 30 | Principal<br>Portion | Interest<br>Portion | Total<br>Payments |
|----------------------|----------------------|---------------------|-------------------|
| 2010                 |                      |                     |                   |
| 2011                 |                      |                     |                   |
| 2012                 |                      |                     |                   |
| 2013                 |                      |                     |                   |
| 2014                 |                      |                     |                   |
| 2015                 |                      |                     |                   |

## 2010 Series A Bonds

| FY Ending<br>June 30 | Principal<br>Portion | Interest<br>Portion | Total<br>Payments |
|----------------------|----------------------|---------------------|-------------------|
| 2016                 |                      |                     |                   |
| 2017                 |                      |                     |                   |
| 2018                 |                      |                     |                   |
| 2019                 |                      |                     |                   |
| 2020                 |                      |                     |                   |
| 2021                 |                      |                     |                   |
| 2022                 |                      |                     |                   |
| 2023                 |                      |                     |                   |
| 2024                 |                      |                     |                   |
| 2025                 |                      |                     |                   |
| 2026                 |                      |                     |                   |
| 2027                 |                      |                     |                   |
| 2028                 |                      |                     |                   |
| 2029                 |                      |                     |                   |
| 2030                 |                      |                     |                   |
| 2031                 |                      |                     |                   |
| 2032                 |                      |                     |                   |
| 2033                 |                      |                     |                   |
| 2034                 |                      |                     |                   |
| 2035                 |                      |                     |                   |
| 2036                 |                      |                     |                   |
| 2037                 |                      |                     |                   |
| 2038                 |                      |                     |                   |
| 2039                 |                      |                     |                   |
| Totals:              |                      |                     |                   |

### Coverage Ratios

Under the Resolution, the District has covenanted to collect fees and charges such that Net Revenues available for debt service are not less than 115% of the maximum amount required in any year for payment of principal of and interest on the 2010 Series A Bonds and all other obligations secured by a lien or payable from such revenues prior to or on a parity with the 2010 Series A Bonds, including the Prior Bonds. See "SECURITY FOR THE 2010 SERIES A BONDS -- Rate Covenant" herein.

Upon reviewing the District's financial statements for the fiscal year ending June 30, 2009, an independent certified public accountant verified that the District did not meet the rate coverage requirements of the Prior Bonds for such fiscal year. Such accountants determined that the District's sewer rate coverage for fiscal year ending June 30, 2009 was 109%. The District petitioned, and obtained approval from, the Public Service Commission of West Virginia, pursuant to a Commission Order entered on April 7, 2010, in Case No. 09-1915-PSD-42T-PC, for a sewer rate increase effective April 9, 2010. The increased sewer rates and charges represent a 7.3% increase over the rates previously in effect.

The revenues generated by the sewer rates which became effective on April 9, 2010, will be sufficient, in the opinion of the District's accountants, CoxHollidaPrice LLP, to produce revenues sufficient to pay the costs of operating and maintaining the System, funding the debt service requirements for the 2010 Series A Bonds and the Prior Bonds, and meeting the rate coverage requirements of the 2010 Series A Bonds and the Prior Bonds.

## Capital Improvement Fees and Capacity Assurance Fees

On and after January 14, 2009, developers and resale customers (in instances of developer connections), and those seeking a new sewer connection for a Previously Developed Tract shall pay to the District a capital improvement fee (CIF) for connections made to the sewer system of an unserved structure or facility. For Developers and those seeking a new sewer connection for a Previously Developed Tract, the CIFs are due as of the date of the entry into the final sewer availability agreement with the District. For resale customers making developer connections, the CIF is due the month following the date a new customer of the District's resale customer to which the CIF is applicable connects to the facilities of the District's resale customer.

The currently effective CIF which is charged by the District is equal to \$7,500 per equivalent dwelling unit. Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule which is set forth in the District's sewer rate tariff.

Developers, those seeking to assure capacity for a Previously Developed Tract, and resale customers of the District (in instances of developer connections) may execute a Capacity Assurance Agreement (CAA) and pay a Capacity Assurance Fee (CAF) to the District in the amount of \$7,500 per equivalent dwelling unit. Execution of the CAA and payment of the CAF shall entitle the payee to a reservation of sewer capacity as provided in the CAA. At such time as the reserved capacity is called upon by the entity paying a CAF, the CAF will be treated by the District as a credit, without interest, against the District's then effective CIF. Subject to this credit, entities that have paid a CAF remain responsible for payment of the District's then effective CIF for construction on property identified in the CAA.

The Public Service Commission of West Virginia has required that the CIF and CAF funds be used to fund major utility-wide source of supply, storage or treatment plant projects. In circumstances in which the ultimate sewage flows are to be treated by the City of Charles Town wastewater treatment plant, \$1,127 of the CIF and CAF fees which are collected by the District is required by the Public Service Commission to be distributed to the City of Charles Town. Further, the District is currently required by Order of the Public Service Commission to seek and obtain the prior approval of the Public Service Commission before committing or disbursing any of the \$7,500 CIF/CAF funds except for instances wherein the City of Charles Town is entitled to its \$1,127 of such fees.

The District is required by the Public Service Commission to account for CIF and CAF as non-operating revenues. **Thus, the Capital Improvement Fees and Capacity Assurance Fees are not accounted for as Net Revenues of the District with respect to the rate coverage and parity bond tests contained in the Resolution and in the Prior Resolutions with respect to the 2010 Series A Bonds and the Prior Bonds.**

It should be noted that in the case of Larry V. Faircloth Realty, Inc. v. Berkeley County Public Service Water District and Berkeley County Public Service Sewer District, Civil Action No. 09-C-826, filed in Berkeley County Circuit Court on or about October 6, 2009, the plaintiff therein filed a declaratory judgment action which challenged the legality of Capacity Improvement Fees, a fee similar to the Capital Improvement Fees charged by the District as herein described. The plaintiff alleged that Capacity Improvement Fees are neither authorized by statute nor reasonable in light of current economic conditions. On February 16, 2010, the Circuit Court entered a "Declaratory Judgment Order" wherein the Court ruled, among other things, that Capacity Improvement Fees billed for new construction are not authorized by statute, and the Public Service Commission of West Virginia exceeded its statutory authority in permitting the Berkeley County Public Service Water District (the "Water District") and the Berkeley County Public Service Sewer District (the "Sewer District") to collect Capacity Improvement Fees. Both the Water District and Sewer District filed separate Petitions for Appeal with the West Virginia Supreme Court of Appeals on or about April 7, 2010 which seek to vacate the Declaratory Judgment Order entered on February 16, 2010. The West Virginia Supreme Court of Appeals has not yet ruled as to whether it will accept such petitions for consideration. Proceedings imposing similar challenges to the Capacity Improvement Fees charged by the Water District and the Sewer District are currently pending before the West Virginia Public Service Commission in Case No. 09-0961-PSWD-GI.

It is possible that similar legal challenges could be instituted in Jefferson County Circuit Court or before the West Virginia Public Service Commission or other venues challenging the legality or application of the CIF and CAF currently imposed and collected by the District. If successful, such legal challenges could limit or eliminate

the ability of the District to use CIF and CAF to finance capital improvements to its sewerage system. However, these fees are not included in the Net Revenues of the District.

### **Sewerage Treatment Services Provided by City of Charles Town**

The City of Charles Town ("Charles Town") treats a portion of the wastewater generated in the District's service area and collected in its sewerage collection lines at the wastewater treatment plant owned and operated by Charles Town. Such treatment services were originally provided by Charles Town pursuant to a Sewer Service Agreement, dated April 29, 1988 (the "1988 Agreement"), by and between Charles Town, the District and the Corporation of Ranson ("Ranson"). Such parties entered into an Amendment to Sewer Service Agreement, dated July 11, 2005 (the "Amendment to 1988 Agreement"). The Amendment to 1988 Agreement contemplates the payment by Charles Town, Ranson and the District of a portion of the debt service on revenue bonds to be issued by Charles Town (the "Charles Town Bonds") to finance improvements to the wastewater treatment plant owned and operated by Charles Town in order to increase the capacity of such treatment plant by 500,000 gallons per day (the "Phase One Improvements"). The 1988 Agreement, together with the Amendment to 1988 Agreement, is to remain in full force and effect until such time as the revenue bonds contemplated by the Amendment to 1988 Agreement are paid and discharged. In the event the bonds are defeased and the balance due thereon is refinanced by the issuance of new revenue bonds, a party may opt into a payment schedule for the refinanced bonds, in which case the Amendment to 1988 Agreement shall continue in full force and effect with respect to such party until the reissued revenue bonds are paid and discharged; or, alternatively, a party may elect to pay in full an amount of money sufficient to allow that party's share of the balance of the revenue bond debt contemplated by the Amendment to 1988 Agreement to be defeased.

Pursuant to the Amendment to 1988 Agreement the principal of the Charles Town Bonds was to be repaid first from \$1,127 per equivalent dwelling unit ("EDU") of capital improvement fees collected by the parties pursuant to that certain Memorandum of Understanding Regarding Wastewater Capital Improvement Fee, by and between Charles Town, Ranson and the District (the "MOU"). Second, debt service on the Charles Town Bonds is to be repaid under the Amendment to 1988 Agreement pursuant to payments by Ranson and the District to Charles Town, on a monthly basis, of the sum of \$6.10 per EDU for all new sewer service customers within their respective service areas. Charles Town is also to apply \$6.10 per EDU for all new sewer service customers connecting to its system to repayment of the Charles Town Bonds. The third repayment source under the Amendment to 1988 Agreement is a guaranty by Huntfield L.C. pursuant to a Developer Agreement by and between the District and Huntfield L.C. (the "Developer Agreement"). In the event that the above described repayment sources are insufficient to pay the debt service on the Charles Town Bonds, Ranson and the District agree to remit to Charles Town on a monthly basis one third of the monthly deficiency as directed by Charles Town. Under the Amendment to 1988 Agreement, the District and Ranson may send wastewater collected from their respective customers to wastewater treatment facilities other than the Charles Town wastewater treatment plant for treatment; provided, that the District and Ranson shall each pay Charles Town their respective obligations as outlined above and shall also pay to Charles Town the prevailing tariff rate for wastewater treated by Charles Town.

Pursuant to an Order of the Public Service Commission of West Virginia entered on May 1, 2005, in Case No. 04-1819-S-MA (the "2005 PSC Order"), the 1988 Agreement was ordered abrogated to the extent that it is inconsistent with the Order. The 2005 PSC Order also provided that: (i) the Amendment to 1988 Agreement, as approved by the Commission in Case No. 04-095-S-CN, remain in force, (ii) Charles Town, Ranson and the District were required to renegotiate an agreement, which incorporates the terms of the Amendment to 1988 Agreement and is consistent with the 2005 PSC Order, to replace the 1998 Agreement. The parties were to submit the revised Agreement to the Commission for its review and approval by December 31, 2005. To date, the parties have not negotiated a new Agreement pursuant to the terms of the Order or filed such Agreement with the Public Service Commission for approval.

The Order also approved the following sewer rate tariff provisions with respect to the resale rate to be charged by Charles Town to the District and Ranson and the resale credit and transportation credit available to the District:

Resale Rate- \$3.71 per 1,000 gallons per month.

Resale Credit (Applicable only to Jefferson County Public Service District)- a monthly credit of \$3,451 per month will be credited against the respective bill rendered to Jefferson County Public Service District for debt incurred by the District as part of the 2000 Charles Town Treatment Plant upgrade. This credit will remain in effect until the indebtedness associated with the respective upgrade is satisfied (Matures 2031).

Transportation Credit (Applicable only to Jefferson County Public Service District)- a monthly credit of \$1,009 per month will be credited against the respective bill rendered to Jefferson County Public Service District for reimbursement of fixed debt associated with lift stations needed to transport Charles Town's sewage from the former Sanitary Associates service area. The credit will be given until the indebtedness is satisfied. In addition to the monthly credit of \$1,009, a transportation credit of \$1.65 per thousand gallons shall be provided to the Jefferson County Public Service District for all flows from the former Sanitary Associates area.

The table below lists the coverage amounts for fiscal year ending June 30, 2007-2009 and projected 2009-2010.

| Description                  | Audited<br>Financials<br>2007 | Audited<br>Financials<br>2008 | Audited<br>Financials<br>2009 | Unaudited*<br>Financials<br>2010 | Budget*<br>2011 | Proforma**<br>2011 |
|------------------------------|-------------------------------|-------------------------------|-------------------------------|----------------------------------|-----------------|--------------------|
| Operating Revenues           | 1,997,631                     | 2,102,789                     | 1,979,251                     | 1,992,000                        | 2,117,000       | 2,117,000          |
| Operating Expenses           | 1,377,237                     | 1,561,484                     | 1,578,240                     | 1,636,063                        | 1,683,795       | 1,683,795          |
| Available Funds              | 620,394                       | 541,305                       | 401,011                       | 355,937                          | 433,205         | 433,205            |
| Debt Service<br>Requirements | 301,323                       | 368,159                       | 368,159                       | 368,159                          | 368,159         | 360,000            |
| Coverage Ratio               | 206%                          | 147%                          | 109%                          | 97%                              | 118%            | 120%               |

\* Sewer rate increase became effective April 9, 2010 pursuant to PSC Case No. 09-1915-PSD-42T-PC

\*\* Proforma contemplates successful refunding of Series 1998 A Bonds

Source: Jefferson County Public Service District Audited Financial Statements; Cox Hollida Price LLP, Certified Public Accountants and Consultants.

## INVESTMENT CONSIDERATIONS

The District does not have direct control over the Net Revenues it produces. The District's rates and charges are set by the Public Service Commission of West Virginia following a public notice and review process. The District cannot automatically increase rates, thereby increasing Net Revenues if customer numbers or customer usage decline or if operation and maintenance expenses increase significantly.

The District may and anticipates issuing additional bonds secured by the Net Revenues of the System on a parity with the lien thereon in favor of the 2010 Series A Bonds and the Prior Bonds, provided that the coverage and parity tests for the 2010 Series A Bonds and the Prior Bonds are satisfied. The District is not required to obtain the consent of the owners of the 2010 Series A Bonds to the issuance of obligations secured by the Net Revenues of the System. However, the coverage and parity tests contained in the Resolution authorizing the issuance of the 2010 Series A Bonds must be met in order for the District to issue additional obligations secured by Net Revenues of the System on a parity with the 2010 Series A Bonds and the Prior Bonds.

If Net Revenues are not sufficient to cover the debt service on the 2010 Series A Bonds and the Prior Bonds, then the District must request an increase in rates from the Public Service Commission. There can be no assurance that the Public Service Commission will increase rates and charges to a level sufficient to pay the debt service on the 2010 Series A Bonds and the Prior Bonds.

## **LITIGATION**

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, now pending or, to the best knowledge of the District, threatened or affecting the District (or, to the District's knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would have a material adverse affect on the District's financial position or on the validity of the 2010 Series A Bonds, the Resolution, or any agreement to which the District is a party and which is a part of the issuance of the 2010 Series A Bonds.

## **LEGAL MATTERS**

The authorization and issuance of the 2010 Series A Bonds are subject to the approval of legality by Spilman Thomas & Battle, PLLC, Charleston, West Virginia, Bond Counsel. Bond Counsel will render an opinion in substantially the form set forth in Appendix C to this Official Statement. Certain legal matters will be passed upon for the District by its counsel, James V. Kelsh, Esquire, Charleston, West Virginia, and for the Underwriter by its counsel, Steptoe & Johnson PLLC, Clarksburg, West Virginia.

## **TAX MATTERS**

In the opinion of Spilman Thomas & Battle, PLLC, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the 2010 Series A Bonds (a) is excludable from gross income for federal income tax purposes, assuming compliance with certain provisions described herein pertaining to the Internal Revenue Code of 1986, as amended (the "Code"), (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (c) under existing State law, the 2010 Series A Bonds are exempt from taxation by the State and the other taxing bodies of the State and the interest on the 2010 Series A Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State. For the purposes of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted net book income.

Based on an examination of the Code and the factual representations and covenants of the District as to the Bonds, Bond Counsel is further of the opinion that pursuant to Section 265(b)(3) of the Code, the 2010 Series A Bonds upon issuance shall be treated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code and shall be deemed so designated as the 2010 Series A Bonds and the issue of which they are a part satisfy the requirements set forth in Section 265(b)(3). Therefore, the 2010 Series A Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and the provision of the Code which disallows all deductibility of interest expense incurred by financial institutions on debt incurred or to purchase or carry most tax-exempt obligations does not apply to the 2010 Series A Bonds. A deduction is allowed for 80% of that portion of such financial institution's interest expense allocable to interest on the Bonds for federal income tax purposes.



## **Assumed Compliance with Certain Covenants and Federal Tax Requirements**

The Code imposes various restrictions, on conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2010 Series A Bonds. The District has covenanted to comply with certain restrictions designed to ensure that interest on the 2010 Series A Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the 2010 Series A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2010 Series A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2010 Series A Bonds may adversely affect the value of, or the tax status of interest on, the 2010 Series A Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the 2010 Series A Bonds. Prospective purchasers of 2010 Series A Bonds are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Certain requirements and procedures contained or referred to in the District's authorizing Resolution, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 2010 Series A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any 2010 Series A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Spilman Thomas & Battle, PLLC.

### **[Original Issue Discount and Original Issue Premium]**

[To the extent the issue price of any maturity of the 2010 Series A Bonds is less than the amount to be paid at maturity of such 2010 Series A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2010 Series A Bonds) (the "Discount Bonds"), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the 2010 Series A Bonds which is excluded from gross income for federal income tax purposes and State of West Virginia personal income taxes. For this purpose, the issue price of a particular maturity of the 2010 Series A Bonds is the first price at which a substantial amount of such maturity of the 2010 Series A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2010 Series A Bonds accrues daily over the term to maturity of such 2010 Series A Bonds on the basis of a constant interest rate compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The accruing original issue discount is added to the adjusted basis of such 2010 Series A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2010 Series A Bonds. A purchaser of a Discount Bond in the initial public offering at a price for that Discount Bond stated on the cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond. Beneficial owners of the 2010 Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2010 Series A Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such 2010 Series A Bonds in the original offering to the public at the first price at which a substantial amount of such 2010 Series A Bonds is sold to the public.

2010 Series A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocated to such beneficial owner. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at

the price for that Premium Bond stated on the cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond. Beneficial owners of the 2010 Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2010 Series A Bonds with bond premium, including the treatment of beneficial owners who do not purchase such 2010 Series A Bonds in the original offering to the public at the first price at which a substantial amount of such 2010 Series A Bonds is sold to the public.]

### **Information Reporting and Backup Withholding**

Information reporting requirements will apply to interest on tax-exempt obligations, including the 2010 Series A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2010 Series A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2010 Series A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to the backup withholding should be allowed as a refund or a credit against any owner's federal income tax once the required information is furnished to the Internal Revenue Service.

### **State Income Tax Exemption**

In the opinion of Bond Counsel, under the Act, as presently written and applied, the 2010 Series A Bonds and the interest thereon are exempt from all taxation by the State of West Virginia and the other taxing bodies of the State.

### **Individual Circumstances**

Although Bond Counsel is of the opinion that interest on the 2010 Series A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or recipient of interest on, the 2010 Series A Bonds may otherwise affect an owner's federal tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

### **Future Tax Changes**

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2010 Series A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2010 Series A Bonds. Prospective purchasers of the 2010 Series A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2010 Series A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the application regulations, the interpretation thereof or

the enforcement thereof the IRS. The District has covenanted, however, to comply with the requirements of the Code.

### **Bond Counsel Obligations**

Bond Counsel's engagement with respect to the 2010 Series A Bonds ends with the issuance of the 2010 Series A Bonds, and unless separately engaged, Bond Counsel is not obligated to defend the District or the beneficial owners regarding the tax-exempt status of the 2010 Series A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and their appointed counsel including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagree may not be practicable. Any action of the IRS, including but not limited to selection of the 2010 Series A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2010 Series A Bonds, and may cause the District or the beneficial owners to incur significant expense.

### **UNDERWRITING**

Crews & Associates, Inc., as Underwriter, has agreed, subject to certain conditions, to purchase the 2010 Series A Bonds from the District at a price of \$\_\_\_\_\_ which reflects an Underwriter's discount of \$\_\_\_\_\_ and a net original issue discount of \$\_\_\_\_\_. The Underwriter will be obligated to purchase all of the 2010 Series A Bonds if any are purchased. The 2010 Series A Bonds may be offered and sold to certain dealers (including investment trusts, certain of which may be sponsored or managed by the Underwriter) at prices lower than the public offering price stated on the cover page of this Official Statement, and such public offering price also may be changed without prior notice, from time to time, by the Underwriter.

### **ACCOUNTANT'S CALCULATIONS**

CoxHollidaPrice LLP, Certified Public Accountants and Consultants, Martinsburg, West Virginia, independent certified public accountants, will certify the coverage requirements and parity test requirements in connection with the issuance of the 2010 Series A Bonds.

### **FINANCIAL STATEMENTS OF THE DISTRICT**

Included herein as Appendix B is the audited financial statements (and reports with respect thereto) of the District as of June 30, 2008 and June 30, 2009, prepared by CoxHollidaPrice LLP, Certified Public Accountants and Consultants, Martinsburg, West Virginia. The financial statements have been included herein in reliance upon the reports of the preparers thereof as experts in auditing and accounting.

CoxHollidaPrice LLP has consented to the inclusion of the Jefferson County Public Service District Financial Statements for the years ended June 30, 2008 and 2009 in this offering document.

### **CONTINUING DISCLOSURE**

The District has agreed in the Resolution to execute and deliver contemporaneously with the issuance of the 2010 Series A Bonds an agreement to undertake for the benefit of the Registered Owners of the 2010 Series A Bonds to provide certain financial and operating information (the "Annual Information") not later than three hundred sixty five (365) days following the end of the fiscal year of the District, commencing in 2010, to the Electronic Municipal Markets Access System ("EMMA") and to provide notice of the occurrence of the enumerated events to EMMA. See "APPENDIX E- FORM OF CONTINUING DISCLOSURE AGREEMENT."

This continuing disclosure obligation is being undertaken by the District to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The Dissemination Agent named therein has agreed to give notice in a timely manner to EMMA or other applicable information repository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the 2010 Series A Bonds.

Registered Owners may contact the General Manager of the District at 340 Edmond Road, Suite A, Kearneysville, WV 25430, (304) 725-4647 for more information.

### **MISCELLANEOUS**

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the 2010 Series A Bonds. The District has authorized the execution and distribution of this Official Statement.

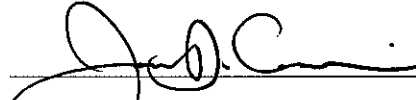
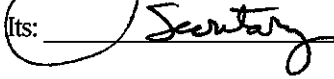
Copies of the Resolution, the Undertaking and other applicable documents may be obtained from the District at the following address:

Jefferson County Public Service District  
340 Edmond Road, Suite A  
Kearneysville, WV 25430  
Attention: General Manager  
(304) 725-4647

or, during the period of offering the 2010 Series A Bonds, from the Underwriter.

The execution and distribution of this Official Statement has been duly authorized by the District.

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

By:   
Its:  Secretary

## APPENDIX A

### General Information Regarding Jefferson County, West Virginia

The Jefferson County Public Service District is located in Jefferson County situated in the eastern panhandle of West Virginia. Jefferson County marks the Eastern Gateway to the Mountain State. The County was formed in 1801 from Berkeley County and was named for Thomas Jefferson. Jefferson County, with a total land area of 212 square miles, is bordered on the west by Berkeley County, West Virginia, on the north by the State of Maryland and on the east and south by the Commonwealth of Virginia. The elevation varies from 275 feet above sea level at Harpers Ferry to 1000 feet in the mountains east of the Shenandoah River. Charles Town, one of five incorporated towns, is the County seat. The other incorporated towns are Harpers Ferry, the location of John Brown's raid during the Civil War; Shepherdstown, the oldest town in West Virginia; Bolivar, named after the South American liberator, Simon Bolivar; and Ranson, an ideal location for industry and homes.

Because of its proximity to the Baltimore-Washington, D.C. area, the County has experienced the type of growth representative of those metropolitan areas. Jefferson County is part of the Martinsburg Labor Market Area which draws a strong work force from Virginia and Maryland. Due to its location, many metropolitan areas are within reasonable traveling distance of Jefferson County.

|                            |   |           |
|----------------------------|---|-----------|
| Washington, D.C.           | - | 58 miles  |
| Baltimore, Maryland        | - | 67 miles  |
| Harrisburg, Pennsylvania   | - | 100 miles |
| Charlottesville, Virginia  | - | 129 miles |
| Richmond, Virginia         | - | 168 miles |
| Philadelphia, Pennsylvania | - | 180 miles |
| Pittsburgh, Pennsylvania   | - | 193 miles |
| New York City              | - | 265 miles |

---

*\*Unless indicated otherwise, data sources are WorkForce West Virginia and the Jefferson County Development Authority.*

### **Top Ten Employers**

1. Jefferson County Board of Education
2. PNGI Charles Town Gaming
3. Shepherd University
4. Wal-Mart Stores, Inc.
5. Royal Vendors, Inc.
6. Jefferson Memorial Hospital
7. Department of the Interior
8. American Public University System
9. Jefferson County Commission
10. Eldercare Resources Corporation

### **Employment and Unemployment Statistics - Annual Averages**

The following table presents statistics regarding the average annual labor force and historical employment levels in Jefferson County.

| JEFFERSON COUNTY EMPLOYMENT RATES |             |                 |                   |                       |
|-----------------------------------|-------------|-----------------|-------------------|-----------------------|
| Year                              | Labor Force | Number Employed | Number Unemployed | Unemployment Rate (%) |
| 2000                              | 23,350      | 22,560          | 790               | 3.4%                  |
| 2001                              | 23,040      | 22,270          | 770               | 3.3%                  |
| 2002                              | 23,140      | 22,240          | 900               | 3.9%                  |
| 2003                              | 23,250      | 22,380          | 860               | 3.7%                  |
| 2004                              | 23,670      | 22,880          | 790               | 3.3%                  |
| 2005                              | 24,270      | 23,490          | 770               | 3.2%                  |
| 2006                              | 24,960      | 24,170          | 790               | 3.2%                  |
| 2007                              | 25,330      | 24,560          | 770               | 3.0%                  |
| 2008                              | 24,700      | 23,780          | 920               | 3.7%                  |
| 2009                              | 24,000      | 22,380          | 1,620             | 6.8%                  |

*Source: WorkForce WV Labor Market Information and WV County Profiles*

### **Employment and Wages**

|                                  |               |
|----------------------------------|---------------|
| Employment, Annual Average 2008  | 14,294        |
| Total Wages, Annual 2008         | \$439,793,087 |
| Annual Wage, Annual Average 2008 | \$30,768      |
| Weekly Wage, Annual Average 2008 | \$591.69      |

### **Population Trends**

| Year | County Population | % Change | West Virginia Population |
|------|-------------------|----------|--------------------------|
| 1970 | 21,280            | N/A      | 1,744,237                |
| 1980 | 30,311            | 42.43%   | 1,928,524                |
| 1990 | 35,926            | 18.52%   | 1,793,477                |
| 2000 | 42,190            | 17.44%   | 1,808,344                |
| 2005 | 48,542            | 15.06%   | 1,805,626                |

| <b>Year</b> | <b>County<br/>Population</b> | <b>% Change</b> | <b>West Virginia<br/>Population</b> |
|-------------|------------------------------|-----------------|-------------------------------------|
| 2006        | 49,712                       | 2.41%           | 1,808,699                           |
| 2007        | 50,832                       | 2.25%           | 1,812,035                           |
| 2008        | 51,615                       | 1.54%           | 1,814,468                           |

*Source: U.S. Census Bureau*

### **People Quick Facts**

|                   |        |
|-------------------|--------|
| Male              | 20,873 |
| Female            | 21,317 |
| Ages 14 and below | 8,303  |
| Ages 25 to 34     | 5,512  |
| Ages 45 to 54     | 6,519  |
| Ages 65 and older | 4,724  |
| Median Age        | 36.8   |

*Source: 2000 Census and WV County Profiles*

### **Housing**

A wide range of housing is available in Jefferson County, with housing costs generally at least 1/3 less than in the suburban metropolitan area. The County offers a blend of rural lifestyle with a close proximity to the attractions of Washington, DC, and Baltimore, Maryland.

|                                   |           |
|-----------------------------------|-----------|
| Total Housing Units               | 17,623    |
| Occupied Housing Units            | 16,165    |
| Owner Occupied                    | 12,253    |
| Renter Occupied                   | 3,912     |
| Median Value                      | \$116,700 |
| Median Rent Asked                 | \$453     |
| Totals Households                 | 16,165    |
| Family Households                 | 11,319    |
| Non-Family Households             | 4,846     |
| Persons 65 and Over, Living Alone | 1,366     |
| Average Household Size            | 2.54      |

*Source: 2000 Census and WV County Profiles*



### Government/Emergency Services Personnel

|                                        |    |
|----------------------------------------|----|
| West Virginia State Police             | 13 |
| Jefferson County Sheriff's Department  | 31 |
| Charles Town Police Personnel          | 20 |
| Ranson Police Personnel                | 16 |
| Shepherdstown Police Personnel         | 13 |
| Harpers Ferry-Bolivar Police Personnel | 6  |

Central Dispatch                      County Wide 911

Fire and Rescue:                      6 departments/150 active volunteers

### Medical

|                        |                                |
|------------------------|--------------------------------|
| Hospital               | 1 - Jefferson Memorial/45 beds |
| Licensed Nursing Homes | 4                              |
| Physicians             | 32 Full-time                   |
|                        | 33 Part-time                   |
| Dentists               | 12                             |
| Chiropractors          | 5                              |

### Banks

Jefferson County has six (6) banks with full consumer, commercial and trusts services available with total assets exceeding \$425 million.

|                      |                         |
|----------------------|-------------------------|
| Bank of Charles Town | BB&T                    |
| City National Bank   | United National Bank    |
| MVB Bank, Inc.       | Jefferson Security Bank |

### Communications

**Newspapers:** *Spirit of Jefferson/Farmer's Advocate & Shepherdstown Chronicle* are published weekly. *The Journal* in Martinsburg, West Virginia and *The Morning Herald* in Hagerstown, Maryland are published daily.

**Radio Stations:**      WXVA, AM and FM

**Cable Television:** Comcast offers more than 60 stations, including Washington, DC and Baltimore, Maryland. Local TV coverage by Hagerstown Channel 25. School news Channel 19. Direct TV is also available.

## **Transportation**

Jefferson County is served by Interstate 81 and Interstate 70, U.S. Route 340 and State Routes 9, 45, 51, 115, 230, and 480. Interstate 81 is a highly traveled highway running north and south through Berkeley County. Interstate 70 runs east and west in Maryland, 20 miles north of the County.

Norfolk and Southern Railway, CSX Transportation and Amtrak Service provide commuter and commercial transportation through Jefferson County, including daily service to downtown Washington, DC and points in Maryland.

Eastern West Virginia Regional Airport, located 11 miles away in Martinsburg, West Virginia, offers private air transportation. This airport has a 7,000 foot runway with a full instrument landing system. Several national and international airports are located 40 to 90 minutes away including Dulles International Airport (45 miles), Baltimore-Washington International Airport (60 miles), Ronald Reagan National Airport (65 miles), and Hagerstown, MD and Winchester, VA (25 miles).

Multiple motor freight carriers supply Jefferson County and there is a container cargo facility at Front Royal Virginia, approximately 25 miles away.

There is limited local bus service provided by Eastern Panhandle Transit Authority.

## **Utilities**

Allegheny Energy Power Company provides electric power to the residents and businesses in Jefferson County. There is currently no natural gas supplier available in the County. Heating oil is provided by Roach Energy, Southern States and Smith Oil Company. Propane Gas is provided by Columbia Propane, Shawley's Gas Company, Thompson Gas Co., Amerigas Propane, and United Propane.

Telephone services are provided by Frontier Communications. Personal communication systems are provided by Sprint Spectrum, US Cellular, AT&T Wireless, and T-Mobile.

Water and sewer services are provided by Jefferson County Public Service District as well as various municipalities and privately owned, public utilities.

## **Education**

The vision of the Jefferson County School System is to empower its students to become responsible, productive citizens in a diverse society.

Elementary Schools    8 schools (3,849 enrollment). A new elementary school is scheduled to open in Shenandoah Junction for the 2010-2011 school year.

Middle Schools        4 schools (1,849 enrollment)

High Schools          2 schools (2,373 enrollment)

There are also 3 private schools in Jefferson County with a total enrollment of approximately 266 students in grades PK through 9.

James Rumsey Technical Institute is the designated technical school for the Berkeley, Morgan and Jefferson County school districts. JRTI offers career and technical education opportunities for high school students and adult learners. Programs at JRTI are approved and/or accredited by the North Central Association of Secondary Schools and Colleges.

Jefferson County is home to one (1) public college. Shepherd University, located in Shepherdstown, offers both Master's and Bachelor's degrees. Major Bachelor degree programs include business, liberal arts, education, recreation and fitness and visual and performing arts. The total enrollment is approximately 4,185 students.

American Public University System (APUS), consisting of two (2) online universities, American Public University and American Military University, is headquartered in Charles Town, West Virginia. APUS offers 76 degree programs and 51 certificates including programs in business, criminal justice, homeland security, information technology, intelligence, management and psychology. APUS is one of the few institutions that is regionally and nationally accredited by federally recognized accrediting agencies.

---

*Source: West Virginia Department of Education*

## **Libraries**

There are four (4) libraries in Jefferson County with over 1.5 million volumes.

## **Recreation**

Jefferson County offers a wide variety of attractions and recreation for visitors. Three (3) federal parks are located in the County: Harpers Ferry National Historical Park, C&O National Historical Park and the Appalachian Trail. Harpers Ferry is situated at the point of the Potomac and Shenandoah Rivers where Maryland, Virginia and West Virginia meet. It is best known for John Brown's raid on the Armory during the Civil War. Most of the town is maintained as the Harpers Ferry National Historical Park.

The C&O National Historical Park was established in 1961 by President Dwight D. Eisenhower to preserve the remains of the Chesapeake and Ohio Canal. The canal and

towpath trail extends from Georgetown in Washington DC, through part of West Virginia, to Cumberland, Maryland, a distance of 184.5 miles. The remains of many of the original locks and buildings can still be viewed along the trail.

The Appalachian Trail enters West Virginia at Harpers Ferry. Only about four (4) miles of the trail lie in West Virginia proper. However, the trail straddles the Virginia-West Virginia border for approximately 15 miles south of Harpers Ferry and again several hundred miles south near the New River.

Jefferson County also boasts eight (8) county parks covering over 250 acres of land. These parks offer a variety of facilities including picnic areas, athletic fields, tennis courts, nature trails, and playgrounds.

There are quite a few attractions and festivals in Jefferson County including the Charles Town Races and Slots, Summit Point Motor Sports Park, The Old Opera House, Peter Burr Living History Farm, Mountain Heritage Arts and Crafts Festival, and the Contemporary American Theater Festival.

Charles Town Races and Slots is a world-class entertainment venue featuring over 5,000 slot machines, live entertainment, a varied selection of food and beverages, and live and simulcast horse racing. Charles Town Races and Slots is owned by Penn National Gaming Inc. and draws more than four million visitors every year.

Summit Point Motorsports Park is a road racing and driver training facility. Owned and operated by Bill Scott Racing, Inc., Summit Point Motorsports Park features three road racing circuits that are currently used for amateur automobile, kart, and motorcycle racing, high performance driver education and emergency training for local and federal law enforcement, as well as foreign service officers who may be posted to dangerous locales

### **Industrial Sites**

Jefferson County is home to a strong and supportive business community that includes everything from small family owned businesses to large national corporations. The business community consists of many agricultural, information technology, and manufacturing companies, as well as government agencies.

The County provides the benefits of a location within the Washington/Baltimore region without the usual high costs associated with such prime real estate. The Burr Industrial Park, a 200-acre business complex near Charles Town, offers easy access as well as excellent industrial, commercial and office sites.

Because of its proximity and easy access to federal entities in Washington, DC, Jefferson County is particularly attractive to the Biotech and Healthcare industries, as well as other Federal agencies. In addition, many of Jefferson County's residents commute to government installations outside of the County. Some of the government entities located in Jefferson County are the Department of Interior and US Fish and Wildlife Services, National Conservation Training Center; National Park Service - Appalachian National Scenic Trail and

Harpers Ferry Center; US Customs & Border Protection; USDA Appalachian Fruit Research Station; and, USDI US Geological Survey Leetown Science Center.

The manufacturing industry has deep seated roots in Jefferson County, with a variety of successful, long standing establishments including Automated Merchandising Systems and Burch Wood Products. Other manufacturers are: Ox Paperboard LLC (formerly Halltown Paperboard), the oldest continuously operating company in West Virginia; DALB, Inc. which produced all of the interior signage for the Denver Airport, among others; Royal Vendors, Inc., whose machines are located around the world in places like Provence, Israel, and Australia; and, Schonstedt Instruments that manufactured a device that originally assisted in orienting the Hubble Space Telescope. They have donated more than 277 detection devices to the United Nations Land Mine Demining Initiative.

Information Technology companies are also choosing Jefferson County as their business location because of the location within the Washington DC metro area and the quality of life offered. The information technology industry in Jefferson County consists of various telecommunications, web development, consulting firms and a world-class educational institution that provides online training across the globe. Jefferson County also has a federal HubZone that provides businesses with a competitive advantage and promotes job growth, capital investment, and economic development in historically underutilized business zones.

Some of the area's top farms are found in Jefferson County. These farms produce and sell fruits and vegetables, poultry, lamb, beef, dairy, and even Christmas trees. In addition, there are pumpkin patches, farm tours, horse farms, and more.

---

*Source Jefferson County Development Authority*

## APPENDIX B

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

**JEFFERSON COUNTY PUBLIC SERVICE DISTRICT**

**FINANCIAL STATEMENTS**

**For the years ended June 30, 2009 and June 30, 2008**





## CONTENTS

|                                                                                                                                                                                                                        | <u>Page</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b>INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND<br/>SUPPLEMENTAL INFORMATION</b>                                                                                                                           | 3-4         |
| <b>MANAGEMENT'S DISCUSSION &amp; ANALYSIS</b>                                                                                                                                                                          | 5-9         |
| <b>FINANCIAL STATEMENTS</b>                                                                                                                                                                                            |             |
| Balance sheets                                                                                                                                                                                                         | 10-11       |
| Statements of revenues, expenses and changes in net assets                                                                                                                                                             | 12          |
| Statements of cash flows                                                                                                                                                                                               | 13          |
| Notes to financial statements                                                                                                                                                                                          | 14-36       |
| <b>SUPPLEMENTAL INFORMATION</b>                                                                                                                                                                                        |             |
| Budgetary comparison schedules - water department                                                                                                                                                                      | 38-39       |
| Budgetary comparison schedules - sewer department                                                                                                                                                                      | 40-41       |
| Schedules of operating expenses - water department                                                                                                                                                                     | 42          |
| Schedules of operating expenses - sewer department                                                                                                                                                                     | 43          |
| <b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND<br/>ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF<br/>FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH<br/><u>GOVERNMENT AUDITING STANDARDS</u></b> | 44-45       |



**INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

The Members of the Public Service Board  
Jefferson County Public Service District

We have audited the accompanying financial statements of the business-type activities of the Jefferson County Public Service District ("District"), as of and for the years ended June 30, 2009 and 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Jefferson County Public Service District as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 9 and the budgetary comparison schedules on pages 38 through 41 are not a required part of the basic financial statements, but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and measurement and presentation of required supplemental information. However we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson County Public Service District's basic financial statements. The supplemental information presented on pages 42 and 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*CoxHollidaPrice LLP*

Martinsburg, WV

December 1, 2009

Jefferson County Public Service District  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the fiscal year ended June 30, 20 09

The management of Jefferson County Public Service District provides the following information as an introduction, overview and analysis of the District's financial statements for the year ended June 30, 2009. Readers should also review the basic financial statements that begin on page 10 to further enhance their understanding of the District's financial performance.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements and Required Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

**Financial statements**

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The Balance Sheet includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and capital and non capital financing activities and provides answers to such questions as "from where did cash come?", "for what was cash used?", and "what was the change in cash balance during the reporting period?"

The notes to the basic financial statements provide additional and explanatory data. They are an integral part of the basic financial statements.

Jefferson County Public Service District  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the fiscal year ended June 30, 20 09

**Financial Analysis of the District as a Whole**

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Balance Sheet, the Statement of Revenue, Expenses and Changes in Net Assets and the Statement of Cash Flows report information about the District's activities in a way that will help answer this question. These statements report the net assets of the District and changes in them. You can think of the District's net assets- the difference between assets and liabilities- as one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, political leaders, and new or changed legislation.

The net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, at various times, the District receives infrastructure improvements from a developer and in return takes over these assets and maintains them. The District either puts in or has a developer put in the infrastructure, and pays for it through a developer contribution, current operations or by an issuance of a bond. These assets are reflected as an asset on the District's books and are depreciated over the estimated life of the assets.

Below are highlights of the financial statements:

|                                 | <u>2009</u>         | <u>2008</u>         |
|---------------------------------|---------------------|---------------------|
| Unrestricted cash               | \$ 510,583          | \$ 587,574          |
| Restricted cash                 | 780,459             | 1,251,927           |
| Other assets                    | 2,004,318           | 2,232,738           |
| Capital assets                  | <u>12,869,053</u>   | <u>11,705,805</u>   |
| Total assets                    | <u>16,164,413</u>   | <u>15,778,044</u>   |
| Current and other liabilities   | 581,359             | 580,058             |
| Long-term liabilities           | <u>6,819,214</u>    | <u>6,322,699</u>    |
| Total liabilities               | <u>7,400,573</u>    | <u>6,902,757</u>    |
| Net assets                      | <u>\$ 8,763,840</u> | <u>\$ 8,875,287</u> |
| Invested in assets, net of debt | \$ 7,507,309        | \$ 7,093,930        |
| Restricted net assets           | 670,992             | 1,128,355           |
| Unrestricted net assets         | <u>585,539</u>      | <u>653,002</u>      |
| Total net assets                | <u>\$ 8,763,840</u> | <u>\$ 8,875,287</u> |

Jefferson County Public Service District  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the fiscal year ended June 30, 2009

|                                                | <u>2009</u>               | <u>2008</u>             |
|------------------------------------------------|---------------------------|-------------------------|
| Revenues                                       |                           |                         |
| Sales to customers                             | \$ 1,850,714              | \$ 1,921,763            |
| Other                                          | <u>179,760</u>            | <u>236,168</u>          |
| Total revenue                                  | <u>2,030,474</u>          | <u>2,157,931</u>        |
| Expenses                                       |                           |                         |
| Operating                                      | 1,619,879                 | 1,604,890               |
| Dropped projects                               | 878                       | 10,266                  |
| Depreciation & amortization                    | 418,214                   | 389,215                 |
| Interest expense                               | <u>116,196</u>            | <u>117,990</u>          |
| Total expenses                                 | <u>2,155,167</u>          | <u>2,122,361</u>        |
| Net income (loss) before capital contributions | ( 124,693)                | 35,570                  |
| Capital contributions                          | <u>13,246</u>             | <u>-</u>                |
| Change in net assets                           | <u><u>\$(111,447)</u></u> | <u><u>\$ 35,570</u></u> |

The District did not receive contributed capital from developers for the current fiscal year.

The District invested approximately \$1.5 million in the current year for improvements of the sewer system and planning of the Flowing Springs waste water treatment plant. This investment was financed by the use of the District's restricted assets and issuance of the bond anticipation note.

The District had an assessment of the water systems. The water systems were found to be very old, but had received excellent maintenance by District staff. The District was presented with improvement options, future recommendations, secondary improvements, and grant funding options. The District will move forward with upgrades to the system and set up informational meetings to the affected communities. Management expects that it will proceed with continuing maintenance and capital investment in those systems based on the consultant's recommendations and financial resources available.

The District began to experience a slowdown in new customer connections in 2008 which has continued into 2009 and management attributes that decline to the overall national slump in the housing industry. The District has also experienced a reduction in usage by individual customers which is due to more efficient use of water together with the conservation of water usage. The District expects that the conventional residential sector will continue to be slow through this fiscal year, but recovering thereafter. However, the District expects continued sustained commercial and institutional sector growth. Overall, the District expects growth in new customer growth and equivalent domestic units (EDU) to remain

Jefferson County Public Service District  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the fiscal year ended June 30, 20 09

comparable with prior years. The District believes that the fundamentals of location and cost in Jefferson County remain favorable, for economic development and expect that the District's plans for readily available services will position the community for early economic recovery

The District has become a bulk rate customer for waste being treated at the Charles Town treatment plant under a PSC final order. The rates have increased as a result of this change. Charles Town has upgraded their plant to increase the available wastewater treatment capacity available to the District. The Charles Town assets purchased by the District has been moved from Utility plant in service to Other assets.

The District entered into a Bond Anticipation Note to help pay for the professional fees related to the Flowing Springs Waste Water Treatment Plant. This note will be paid off when permanent financing is secured for the project.

As previously noted, the slump in the economy has affected the revenue generated by the District. The drop in operating revenue accounts for most of the decline in income from the prior year's net income. The District has proposed a 8.6% rate increase to assist in the operating revenues needed for the operations of the District and to meet the bond requirements.

The District is operating under an interstate environmental compact that commits West Virginia to play a role restoring water quality in the Chesapeake Bay. The new operating environment has required that the District find and implement unconventional solutions for emerging issues. The District has requested and received a Capital Assurance Fee (to insure capacity) and a Capital Improvement Fee (to pay for capacity) from the PSC.

The District has increased the number of customers by less than 1%.

### **Budgetary Highlights**

Over the course of the year, the District approved one amendment to the Sewer Department mid-year decreasing revenue for reduced usage of about \$128,000 and a decrease in expenses mainly due to the decrease of treatment costs by \$50,000. Several accounts were over budget, and those expenditures were approved by the board. Overall, the actual expenses were within approximately 2% of the amended budget amount; however, even with the reduction of budgeted revenue, the District was short on the revenue estimate by \$100,000, approximately 5% under the amended budgeted amount.

Jefferson County Public Service District  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the fiscal year ended June 30, 20 09

**Capital Assets and Debt Administration**

At the end of the current fiscal year, the District's Sewer Department had outstanding debt of \$7,192,819. The District's debt has increased by \$521,053 during the current year. This increase was the result of an issuance of a note payable of \$750,000 to pay for professional fees related to the Flowing Springs Waste Water Treatment Plant. The debt was decreased by the principal payments on debt of \$228,947.

Many debt obligations require debt coverage (revenues over operating expenses) to be more than 115% of the debt obligation. For the current fiscal year debt coverage was only 109% mainly due to the lack of revenue as discussed earlier.

**Economic Factors**

The long-term trend of increasing numbers of residences and businesses in Jefferson County has resulted in the increase in demand on the Charles Town wastewater facility which is used by the customers of the District. The District is a bulk customer of Charles Town. The District has submitted and has received preliminary approval through the West Virginia Infrastructure and Jobs Development Council a loan commitment from West Virginia Department of Environmental Protection from the West Virginia State Revolving Fund of \$24.5 million for the construction of a Flowing Springs wastewater treatment plant which will remove some of the burden on the Charles Town Wastewater treatment plant.

Jefferson County watersheds all drain directly into either the Potomac or the Shenandoah rivers and are part of the headwaters of the Chesapeake Bay. Emerging requirements for protecting and recovering water quality in the Bay will require all sources of nutrients to reduce contributions of nitrogen and phosphorus by 30-40% and to maintain a cap load allocation for the future. These environmental clean-up obligations will increase capital and operational costs to utilities and ultimately to rate payers. The District is already planning for compliance with Chesapeake Bay standards and all new facilities currently planned will meet or exceed projected water quality requirements.



Jefferson County Public Service District

**BALANCE SHEETS**

June 30, 2009 and 2008

**ASSETS**

|                                                                                                                  | <u>Water<br/>Department</u> | <u>Sewer<br/>Department</u> | <u>2009<br/>Total</u> | 2008<br>Memorandum<br>Only<br><u>Total</u> |
|------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------|--------------------------------------------|
| <b>CURRENT ASSETS</b>                                                                                            |                             |                             |                       |                                            |
| Cash                                                                                                             | \$ 128,143                  | \$ 382,440                  | \$ 510,583            | \$ 587,574                                 |
| Accounts receivable, net of allowance<br>for doubtful accounts of \$10,000                                       | 2,058                       | 86,639                      | 88,697                | 85,834                                     |
| Accounts receivable - other                                                                                      | -                           | 392                         | 392                   | 5,950                                      |
| Accrued utility revenue                                                                                          | 4,555                       | 153,266                     | 157,821               | 146,929                                    |
| Prepaid expenses and deposits                                                                                    | -                           | 9,247                       | 9,247                 | 28,508                                     |
| Total current assets                                                                                             | <u>134,756</u>              | <u>631,984</u>              | <u>766,740</u>        | <u>854,795</u>                             |
| <b>RESTRICTED CASH</b>                                                                                           | <u>3,674</u>                | <u>776,785</u>              | <u>780,459</u>        | <u>1,251,927</u>                           |
| <b>CAPITAL ASSETS</b>                                                                                            |                             |                             |                       |                                            |
| Land and land rights                                                                                             | 2,066                       | 917,885                     | 919,951               | 919,951                                    |
| Construction work in progress                                                                                    | -                           | 1,114,762                   | 1,114,762             | 71,035                                     |
| Utility plant in service                                                                                         | 174,643                     | 14,836,223                  | 15,010,866            | 14,583,089                                 |
| Less accumulated depreciation                                                                                    | <u>(51,386)</u>             | <u>(4,125,140)</u>          | <u>(4,176,526)</u>    | <u>(3,868,270)</u>                         |
| Net capital assets                                                                                               | <u>125,323</u>              | <u>12,743,730</u>           | <u>12,869,053</u>     | <u>11,705,805</u>                          |
| <b>OTHER ASSETS</b>                                                                                              |                             |                             |                       |                                            |
| Unamortized debt issue expense, net of<br>accumulated amortization of \$162,571<br>and \$148,385, respectively   | -                           | 270,736                     | 270,736               | 284,922                                    |
| Future utility plant preliminary survey and<br>design charges                                                    | 157,482                     | 306,750                     | 464,232               | 598,981                                    |
| Due from other funds                                                                                             | -                           | 12,482                      | 12,482                | 12,482                                     |
| Other assets - capacity upgrades, net of<br>accumulated amortization of \$225,226<br>and \$156,804, respectively | -                           | 1,000,711                   | 1,000,711             | 1,069,132                                  |
| Total other assets                                                                                               | <u>157,482</u>              | <u>1,590,679</u>            | <u>1,748,161</u>      | <u>1,965,517</u>                           |
| Total assets                                                                                                     | \$ <u>421,235</u>           | \$ <u>15,743,178</u>        | \$ <u>16,164,413</u>  | \$ <u>15,778,044</u>                       |

The accompanying notes are an integral part of this statement.

Jefferson County Public Service District

**BALANCE SHEETS (Continued)**

June 30, 2009 and 2008

**LIABILITIES**

|                                                                                                             | <u>Water<br/>Department</u> | <u>Sewer<br/>Department</u> | <u>2009<br/>Total</u> | 2008<br>Memorandum<br>Only<br><u>Total</u> |
|-------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------|--------------------------------------------|
| <b>CURRENT LIABILITIES (payable from current assets)</b>                                                    |                             |                             |                       |                                            |
| Accounts payable                                                                                            | \$ 1,087                    | \$ 166,321                  | \$ 167,408            | \$ 172,486                                 |
| Accrued taxes and expenses                                                                                  | -                           | 11,373                      | 11,373                | 29,307                                     |
| Total current liabilities (payable from current assets)                                                     | <u>1,087</u>                | <u>177,694</u>              | <u>178,781</u>        | <u>201,793</u>                             |
| <b>CURRENT LIABILITIES (payable from restricted cash)</b>                                                   |                             |                             |                       |                                            |
| Revenue bonds payable (due within one year)                                                                 | -                           | 267,365                     | 267,365               | 228,947                                    |
| Accrued interest payable                                                                                    | -                           | 25,746                      | 25,746                | 25,746                                     |
| Customer deposits                                                                                           | 2,354                       | 107,113                     | 109,467               | 117,937                                    |
| Capital improvement fees                                                                                    | -                           | -                           | -                     | 5,635                                      |
| Total current liabilities (payable from restricted cash)                                                    | <u>2,354</u>                | <u>400,224</u>              | <u>402,578</u>        | <u>378,265</u>                             |
| <b>LONG-TERM LIABILITIES</b>                                                                                |                             |                             |                       |                                            |
| Due to other funds                                                                                          | 12,482                      | -                           | 12,482                | 12,482                                     |
| Revenue bonds payable                                                                                       | -                           | 6,175,454                   | 6,175,454             | 6,442,819                                  |
| Notes payable                                                                                               | 145,000                     | 750,000                     | 895,000               | 145,000                                    |
| Deferred loss on bond refinancing, net of accumulated amortization of \$138,802 and \$124,922, respectively | -                           | (263,722)                   | (263,722)             | (277,602)                                  |
| Total long-term liabilities                                                                                 | <u>157,482</u>              | <u>6,661,732</u>            | <u>6,819,214</u>      | <u>6,322,699</u>                           |
| Total liabilities                                                                                           | <u>160,923</u>              | <u>7,239,650</u>            | <u>7,400,573</u>      | <u>6,902,757</u>                           |

**NET ASSETS**

**NET ASSETS**

|                                                 |                   |                      |                      |                      |
|-------------------------------------------------|-------------------|----------------------|----------------------|----------------------|
| Invested in capital assets, net of related debt | 137,805           | 7,369,504            | 7,507,309            | 7,093,930            |
| Restricted for debt and construction            | 1,320             | 669,672              | 670,992              | 1,128,355            |
| Unrestricted                                    | <u>121,187</u>    | <u>464,352</u>       | <u>585,539</u>       | <u>653,002</u>       |
| Total net assets                                | <u>260,312</u>    | <u>8,503,528</u>     | <u>8,763,840</u>     | <u>8,875,287</u>     |
| Total liabilities and net assets                | \$ <u>421,235</u> | \$ <u>15,743,178</u> | \$ <u>16,164,413</u> | \$ <u>15,778,044</u> |

The accompanying notes are an integral part of this statement.

Jefferson County Public Service District

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

For the years ended June 30, 2009 and 2008

|                                                                                   | <u>Water<br/>Department</u> | <u>Sewer<br/>Department</u> | <u>2009<br/>Total</u> | 2008<br>Memorandum<br>Only<br><u>Total</u> |
|-----------------------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------|--------------------------------------------|
| <b>OPERATING REVENUES</b>                                                         |                             |                             |                       |                                            |
| Sales to general customers                                                        | \$ 48,986                   | \$ 1,801,728                | \$ 1,850,714          | \$ 1,921,763                               |
| Customers' forfeited discounts<br>and penalties                                   | 1,212                       | 49,260                      | 50,472                | 58,605                                     |
| Miscellaneous revenues                                                            | 174                         | 76,496                      | 76,670                | 94,642                                     |
| Total operating revenues                                                          | <u>50,372</u>               | <u>1,927,484</u>            | <u>1,977,856</u>      | <u>2,075,010</u>                           |
| <b>OPERATING REVENUE DEDUCTIONS<br/>BEFORE DEPRECIATION</b>                       |                             |                             |                       |                                            |
| Operating expenses                                                                | <u>41,639</u>               | <u>1,578,240</u>            | <u>1,619,879</u>      | <u>1,604,890</u>                           |
| Operating income before depreciation                                              | 8,733                       | 349,244                     | 357,977               | 470,120                                    |
| <b>DEPRECIATION</b>                                                               | <u>5,172</u>                | <u>330,434</u>              | <u>335,606</u>        | <u>308,006</u>                             |
| Operating income                                                                  | <u>3,561</u>                | <u>18,810</u>               | <u>22,371</u>         | <u>162,114</u>                             |
| <b>NON-OPERATING INCOME (EXPENSE)</b>                                             |                             |                             |                       |                                            |
| Interest income                                                                   | 826                         | 10,355                      | 11,181                | 42,903                                     |
| Gain (loss) on disposal of assets                                                 | -                           | 25                          | 25                    | (1,394)                                    |
| Interest expense                                                                  | (9)                         | (116,187)                   | (116,196)             | (117,990)                                  |
| Amortization of debt issue expense and other<br>assets - treatment plant upgrades | -                           | (82,608)                    | (82,608)              | (81,209)                                   |
| Loss due to dropped projects                                                      | -                           | (878)                       | (878)                 | (10,266)                                   |
| Miscellaneous non-operating revenues                                              | -                           | 41,412                      | 41,412                | 41,412                                     |
| Total non-operating income (expense)                                              | <u>817</u>                  | <u>(147,881)</u>            | <u>(147,064)</u>      | <u>(126,544)</u>                           |
| Increase (decrease) in net assets<br>before capital contributions                 | <u>4,378</u>                | <u>(129,071)</u>            | <u>(124,693)</u>      | <u>35,570</u>                              |
| <b>CAPITAL CONTRIBUTIONS</b>                                                      | <u>-</u>                    | <u>13,246</u>               | <u>13,246</u>         | <u>-</u>                                   |
| Increase (decrease) in net assets                                                 | 4,378                       | (115,825)                   | (111,447)             | 35,570                                     |
| Net assets at beginning of year                                                   | <u>255,934</u>              | <u>8,619,353</u>            | <u>8,875,287</u>      | <u>8,839,717</u>                           |
| Net assets at end of year                                                         | \$ <u>260,312</u>           | \$ <u>8,503,528</u>         | \$ <u>8,763,840</u>   | \$ <u>8,875,287</u>                        |

The accompanying notes are an integral part of this statement.

Jefferson County Public Service District

**STATEMENTS OF CASH FLOWS**

For the years ended June 30, 2009 and 2008

|                                                                                       | Water<br>Department | Sewer<br>Department | 2009<br>Total | 2008<br>Memorandum<br>Only<br>Total |
|---------------------------------------------------------------------------------------|---------------------|---------------------|---------------|-------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                           |                     |                     |               |                                     |
| Cash received from customers                                                          | \$ 49,771           | \$ 1,919,887        | \$ 1,969,658  | \$ 2,097,447                        |
| Cash payments for goods and services                                                  | (43,783)            | (1,084,687)         | (1,128,470)   | (1,055,457)                         |
| Cash payments for employee services                                                   | -                   | (513,938)           | (513,938)     | (478,073)                           |
| Net cash flows provided by operating activities                                       | 5,988               | 321,262             | 327,250       | 563,917                             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                           |                     |                     |               |                                     |
| Interest received                                                                     | 826                 | 10,355              | 11,181        | 42,903                              |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                       |                     |                     |               |                                     |
| Expenditures for utility plant and other assets                                       | (38,888)            | (363,190)           | (402,078)     | (200,346)                           |
| Increase (decrease) in customer deposits                                              | (291)               | (8,179)             | (8,470)       | 182                                 |
| Capital improvement fees collected                                                    | -                   | 50,437              | 50,437        | 100,303                             |
| Capital improvement fees transferred to joint account                                 | -                   | (42,826)            | (42,826)      | (96,922)                            |
| Principal payment on debt - bond                                                      | -                   | (228,947)           | (228,947)     | (195,529)                           |
| Principal payment on debt - notes                                                     | -                   | -                   | -             | (5,760)                             |
| Credits on treatment upgrade bonds                                                    | -                   | 41,412              | 41,412        | 41,412                              |
| Proceeds from bonds payable                                                           | -                   | -                   | -             | 649,073                             |
| Proceeds from notes payable                                                           | -                   | 750,000             | 750,000       | -                                   |
| Interest paid on bonds and notes                                                      | (9)                 | (102,307)           | (102,316)     | (104,728)                           |
| Developer payables                                                                    | -                   | -                   | -             | (256,829)                           |
| Construction work in progress capital expenditures                                    | -                   | (772,011)           | (772,011)     | -                                   |
| Increase in preliminary surveys                                                       | -                   | (172,091)           | (172,091)     | (76,012)                            |
| Payment of bond issuance costs                                                        | -                   | -                   | -             | (41,453)                            |
| Net cash (used in) capital and related financing activities                           | (39,188)            | (847,702)           | (886,890)     | (186,609)                           |
| Net increase (decrease) in cash                                                       | (32,374)            | (516,085)           | (548,459)     | 420,211                             |
| <b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>                                    | 164,191             | 1,675,310           | 1,839,501     | 1,419,290                           |
| <b>CASH AND CASH EQUIVALENTS END OF YEAR</b>                                          | \$ 131,817          | \$ 1,159,225        | \$ 1,291,042  | \$ 1,839,501                        |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b> |                     |                     |               |                                     |
| Operating income                                                                      | \$ 3,561            | \$ 18,810           | \$ 22,371     | \$ 162,114                          |
| Depreciation                                                                          | 5,172               | 330,434             | 335,606       | 308,006                             |
| Adjustments for changes in operating assets and liabilities                           |                     |                     |               |                                     |
| Increase in operating assets                                                          | (601)               | (7,116)             | (7,717)       | (2,125)                             |
| Increase (decrease) in operating liabilities                                          | (2,144)             | (20,866)            | (23,010)      | 95,922                              |
| Net cash provided by operating activities                                             | \$ 5,988            | \$ 321,262          | \$ 327,250    | \$ 563,917                          |

The accompanying notes are an integral part of this statement.

Jefferson County Public Service District  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2009 and 2008

**GENERAL**

Jefferson County Public Service District ("District") is a public corporation created by the Jefferson County Commission on December 1, 1983, for the purpose of operating a public utility by providing water and sewer services to customers in its franchise area in Jefferson County. The District is governed by a board of directors who are appointed by the Jefferson County Commission.

The territory embraced by the District consists of all land within the boundaries of Jefferson County, excluding sewage authorities within incorporated municipalities and any other public service districts properly authorized and existing within the county.

**Reporting Entity**

For financial reporting purposes, the District is considered an independent reporting entity. The basic criteria for defining the District as an independent reporting entity is the District's financial independence, accountability for fiscal matters, significant influence on operations and ability to designate management.

For purposes of regulation by the West Virginia Public Service Commission and as required by its revenue bond issues, water and sewer departments are maintained as separate entities with separate books of account.

The District purchased two private water systems, Glen Haven Utilities, Inc. and Cavaland South Water Service in 1994 for \$5,010. The assets were recorded by Jefferson County Public Service District at net book value since fair market value was not available. Financial data of these water systems are shown in the financial statements under the columnar heading of water department.

The District is also showing the potential Blue Ridge Water Project under the columnar heading of water department. (See more details in the note payable and deferred cost of system design notes).

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

The financial statements of the District are prepared in accordance with Generally Accepted Accounting Principles (GAAP). As a proprietary fund type, the District applies all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

**Financial Reporting Entity**

The District complies with GASB Statement No. 14, *"The Financial Reporting Entity."* This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the criteria, there are no component units to include in the District's financial statements.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)**

**Basis of Presentation**

Accounts of the District are organized on the basis of fund accounting under one fund, an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

The proprietary funds utilize an "*economic resources*" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, except for the immaterial modification concerning inventories listed in the notes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and service. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Assets, Liabilities and Net Assets**

The reserve method is used to provide for possible losses in the collection of customer's accounts receivable.

The District bills customers each month for the prior month's usage. Therefore, accrued utility revenue represents one month's revenues earned but not billed at June 30, 2009 and 2008.

Inventory of materials and supplies are not recorded on the balance sheet. Materials and supplies are expensed when purchased.

Restricted cash held in trust under trust indentures is stated at cost.

It is the District's policy to first use restricted assets when available and then use general revenues to finance projects and expenses.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Assets (Continued)**

Utility plant purchased is stated at cost at the date of acquisition. Donated assets, principally sewer lines and land, are recorded at an amount which approximates the donor's cost and are recorded as capital contributions. Depreciation is provided on the straight-line method at various rates calculated to allocate the costs of the respective items over their estimated useful lives ranging from 3 to 50 years. Interest paid on loans obtained for construction of plant facilities is capitalized when material. There was no capitalized interest for the years ended June 30, 2009 or 2008. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Major classifications of utility plant of the District and their respective useful lives at June 30, 2009 and 2008, are summarized below:

**Sewer Department**

| <u>Classification</u>          | <u>Useful Lives</u> |
|--------------------------------|---------------------|
| Collection mains and services  | 50 years            |
| Transmission mains             | 50 years            |
| Gravity mains                  | 50 years            |
| Force mains                    | 50 years            |
| Flow meters                    | 50 years            |
| Electric pumping equipment     | 20-50 years         |
| Transportation equipment       | 5 years             |
| Communication equipment        | 5 - 7 years         |
| Furniture and office equipment | 3 - 7 years         |

**Water Department**

| <u>Classification</u>               | <u>Useful Lives</u> |
|-------------------------------------|---------------------|
| Structures and improvements         | 20-40 years         |
| Supply mains                        | 40 years            |
| Pump equipment                      | 10-40 years         |
| Transmission and distribution lines | 10-40 years         |
| Services and meters                 | 10-40 years         |
| Hydrants                            | 30 years            |

Construction work in progress represents costs for projects that were not completed at year end.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Assets (Continued)**

**Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees may, depending on level and length of service, be paid for various amounts of their total accrued vacation upon termination or retirement. Accrued sick pay is not paid upon termination. The District accrues a liability for unused vacation hours that meets the criteria for payment at the eligible employees' current rates of pay plus retirement benefits and employment taxes. The accrual for compensated absences was \$11,371 and \$8,619 at June 30, 2009 and 2008, respectively.

**Long-term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the District's balance sheet. Debt issuance expense is reported as "other assets" and amortized over the term of the related bond issues using the straight line method.

Amortization of the deferred loss on bond refinancing is calculated by the straight-line method over the terms of the Series 1998A Revenue Bond and is reflected as an increase to interest expense.

**Equity Classifications**

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets-Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**Statement of Cash Flows**

For purposes of the statement of cash flows, the District considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents.



Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Assets (Continued)**

**Budget**

In accordance with West Virginia Code, Management shall prepare and submit to the Board a tentative budget. Such tentative budget shall be considered by the Board and, subject to any revisions or amendments that may be determined by the Board, shall be adopted as the budget for the ensuing fiscal year. No expenditures for operation and maintenance expenses in excess of the budget shall be made during such fiscal year unless unanimously authorized and directed by the Board.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**CASH AND TEMPORARY INVESTMENTS**

Cash and temporary investments consisted of the following accounts and amounts at June 30, 2009 and 2008:

|                            | <u>Water</u>      | <u>Sewer</u>      | <u>2009<br/>Total</u> | <u>2008<br/>Memorandum<br/>Only Total</u> |
|----------------------------|-------------------|-------------------|-----------------------|-------------------------------------------|
| Revenue                    | \$ -              | \$ 244,734        | \$ 244,734            | \$ 305,469                                |
| Petty cash                 | -                 | 700               | 700                   | 700                                       |
| Operations and maintenance | 128,143           | -                 | 128,143               | 160,181                                   |
| Future needs               | -                 | 137,006           | 137,006               | 121,224                                   |
| Total                      | \$ <u>128,143</u> | \$ <u>382,440</u> | \$ <u>510,583</u>     | \$ <u>587,574</u>                         |

The revenue fund is a restricted account in accordance with provisions of the revenue bond resolutions; however, these funds are generally available for the operations of the District.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**RESTRICTED CASH AND RESERVES**

Restricted cash and reserves consisted of the following accounts and amounts at June 30, 2009 and 2008:

|                         | <u>Water</u>    | <u>Sewer</u>      | <u>2009<br/>Total</u> | <u>2008<br/>Memorandum<br/>Only Total</u> |
|-------------------------|-----------------|-------------------|-----------------------|-------------------------------------------|
| Debt service revenue    | \$ -            | \$ 145,765        | \$ 145,765            | \$ 487,528                                |
| Debt service reserve    | -               | 442,505           | 442,505               | 426,733                                   |
| Renewal and Replacement | -               | 55,335            | 55,335                | 184,917                                   |
| Capital Improvement Fee | -               | 21,630            | 21,630                | 14,459                                    |
| Customer Deposits       | <u>3,674</u>    | <u>111,550</u>    | <u>115,224</u>        | <u>138,290</u>                            |
| Total                   | \$ <u>3,674</u> | \$ <u>776,785</u> | \$ <u>780,459</u>     | \$ <u>1,251,927</u>                       |

The debt service revenue and related reserve includes funds on deposit with the West Virginia Municipal Bond Commission as trustee under the various revenue bond indentures and proceeds from bond issues. The Trust indentures require the trustee to establish various special purpose trust fund accounts, make periodic transfers to and between funds, maintain them at a specified level and/or disburse funds from them in accordance with the specific terms of the indentures.

The renewal and replacement funds are under the control and custody of the District as trustee in accordance with provisions of the revenue bond indentures. The renewal and replacement fund represents funds on deposit for the purpose of making repairs and replacements.

The capital improvement fee funds, by order of the Public Service Commission of West Virginia dated March 28, 2005, are to be used only for the purpose of improving the Charles Town treatment facilities and are to be held in a joint account by the District, the City of Ranson, and the City of Charles Town. All three governments are to share in the responsibility of establishing the account and collecting the appropriate fees. As of June 30, 2006, a joint account had been established and the District was depositing capital improvement fees collected into the joint account within the required period of (30) Thirty days from collection without interest. The balance in the District's cash account at June 30, 2009 and 2008, respectively is the interest earned on the account and the fees collected but not yet transferred to the joint account.

The District also has a liability on the books for capital improvement fees collected but not yet transferred to the joint account. The balance left as of June 30, 2009 and 2008 respectively were transferred after June 30, 2009 and 2008 respectively. This amount is reflected in the balance sheet as a current liability payable from restricted cash.

The customer deposits fund represents funds on deposit with a financial institution as required by the Public Service Commission of West Virginia. These funds are returned to customers upon twelve consecutive timely service payments or upon termination of service.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**DEPOSITS AND INVESTMENTS**

At June 30, 2009, the District's cash and investment balances were as follows:

| <u>Investment Type</u>     | <u>Maturities</u>  | <u>Fair Value</u> |
|----------------------------|--------------------|-------------------|
| Repurchase Agreements      | Various            | \$ 591,963        |
| State Investment Pool      | Average of 90 days | 559,907           |
| Total investments          |                    | 1,151,870         |
| Cash                       |                    | 139,172           |
| Total Cash and Investments |                    | \$ 1,291,042      |

**Interest Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value changes arising from changing interest rates.

**Credit Risk**

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the state of West Virginia, obligations of the federal mortgage association, indebtedness secured by first lien deeds of trust for property situated within this state if the payment is substantially insured or guaranteed by the federal government, pooled mortgage trusts (subject to limitations), indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades, interest earning deposits which are fully insured or collateralized, and mutual funds registered with S.E.C. which have fund assets over three hundred million dollars. The District has no investment policy that would further limit its investment choices.

**Concentration Credit Risk**

The District does not have a formal investment policy that limits its investments in any one issuer.

GAAP requires disclosure when any one issuer is 5% or more of the investment portfolio. The investment in the repurchase agreements, with it's underlying securities being Federal Home Loan Bank and Fannie Mae mortgage loans of 51%, and investments in the state investment pool of 49% of the investment portfolio. These types of investments are within state statutes as listed under credit risk, therefore, this is not viewed as an additional risk by the District.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**DEPOSITS AND INVESTMENTS (Continued)**

**Custodial Credit Risk-Deposits and Investments (excluding investments at the West Virginia Municipal Bond Commission)**

Custodial credit risk is the risk that in the event of a bank or counter party failure, the District will not be able to recover the value of its deposits, investments or collateral securities that are in possession of an outside party. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2009, \$354,583 of the District's bank balance of \$743,668 was exposed to custodial credit risk. \$389,085 of the bank balance was covered by Federal Deposit Insurance (FDIC) and \$354,583 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

In fiscal years ended June 30, 2009 and 2008, the District has a repurchase agreement with a local financial institution for the investment of excess funds in all of the District's accounts held at that institution. Under the repurchase agreement, all collected balances in the account at the end of each day are automatically withdrawn and used to purchase an investment under the repurchase agreement. The repurchase agreement states that the securities purchased will be U.S. Government or Agency Securities or Mortgage Backed Securities. The securities will not be identified as the District's specific property, nor will they be delivered to the District and during any trading day, the District's securities are commingled with the bank's own securities, and may be subject to liens granted by the bank to third parties. The repurchase agreement also states that the purchased interest in underlying securities is not considered a deposit and therefore not insured by the FDIC, the United States Government or Agency thereof, or any other. The market value of the investments approximates cost at June 30, 2009 and 2008.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2008 was as follows:

**Sewer Department**

|                                                    | <u>Balance at<br/>July 01, 2007</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance at<br/>June 30, 2008</u> |
|----------------------------------------------------|-------------------------------------|------------------|--------------------|-------------------------------------|
| Capital assets not being depreciated:              |                                     |                  |                    |                                     |
| Land and land rights, restated                     | \$ 917,885                          | \$ -             | \$ -               | \$ 917,885                          |
| Construction work in progress                      | 98,390                              | -                | 27,355             | 71,035                              |
| Total capital assets not being depreciated - sewer | <u>1,016,275</u>                    | <u>-</u>         | <u>27,355</u>      | <u>988,920</u>                      |
| Capital assets being depreciated:                  |                                     |                  |                    |                                     |
| Collection mains and services                      | 10,359,465                          | 447,376          | -                  | 10,806,841                          |
| Transmission mains                                 | 240,858                             | -                | -                  | 240,858                             |
| Gravity mains                                      | 64,865                              | -                | -                  | 64,865                              |
| Force mains                                        | 1,118,426                           | -                | -                  | 1,118,426                           |
| Flow meters                                        | 13,187                              | -                | -                  | 13,187                              |
| Electric pumping equipment                         | 1,973,874                           | 41,249           | 1,621              | 2,013,502                           |
| Transportation equipment                           | 106,366                             | 9,012            | 34,798             | 80,580                              |
| Communication equipment                            | 4,542                               | 528              | -                  | 5,070                               |
| Furniture and office equipment                     | 104,254                             | 600              | 850                | 104,004                             |
| Total capital assets being depreciated - sewer     | <u>13,985,837</u>                   | <u>498,765</u>   | <u>37,269</u>      | <u>14,447,333</u>                   |

**Less Accumulated Depreciation – Sewer Department**

|                                                     | <u>Balance at<br/>July 01, 2007</u> | <u>Additions</u>    | <u>Retirements</u> | <u>Balance at<br/>June 30, 2008</u> |
|-----------------------------------------------------|-------------------------------------|---------------------|--------------------|-------------------------------------|
| Collection mains and services                       | 2,269,195                           | 207,363             | -                  | 2,476,558                           |
| Transmission mains                                  | 83,727                              | 4,817               | -                  | 88,544                              |
| Gravity mains                                       | 16,215                              | 1,297               | -                  | 17,512                              |
| Force mains                                         | 385,428                             | 22,369              | -                  | 407,797                             |
| Flow meters                                         | 3,406                               | 264                 | -                  | 3,670                               |
| Electric pumping equipment                          | 621,956                             | 49,192              | 282                | 670,866                             |
| Transportation equipment                            | 86,610                              | 13,634              | 34,798             | 65,446                              |
| Communication equipment                             | 2,446                               | 914                 | -                  | 3,360                               |
| Furniture and office equipment                      | 85,508                              | 3,590               | 795                | 88,303                              |
| Total accumulated depreciation                      | <u>3,554,491</u>                    | <u>303,440</u>      | <u>35,875</u>      | <u>3,822,056</u>                    |
| Total capital assets being depreciated, net - sewer | <u>10,431,346</u>                   | <u>195,325</u>      | <u>1,394</u>       | <u>10,625,277</u>                   |
| Net capital assets - sewer                          | \$ <u>11,447,621</u>                | \$ <u>- 195,325</u> | \$ <u>28,749</u>   | \$ <u>11,614,197</u>                |

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**CAPITAL ASSETS (Continued)**

**Water Department**

|                                                | Balance at<br>July 01, 2007 | Additions | Retirements | Balance at<br>June 30, 2008 |
|------------------------------------------------|-----------------------------|-----------|-------------|-----------------------------|
| Capital assets not being depreciated:          |                             |           |             |                             |
| Land and land rights                           | \$ 2,066                    | \$ -      | \$ -        | \$ 2,066                    |
| Capital assets being depreciated:              |                             |           |             |                             |
| Structures and improvements                    | 35,953                      | -         | -           | 35,953                      |
| Supply mains                                   | 1,240                       | -         | -           | 1,240                       |
| Wells and springs                              | 4,856                       | 5,093     | -           | 9,949                       |
| Pump equipment                                 | 17,030                      | 1,205     | -           | 18,235                      |
| Transmission and distribution lines            | 58,317                      | -         | -           | 58,317                      |
| Services and meters                            | 8,676                       | 3,264     | -           | 11,940                      |
| Hydrants                                       | 122                         | -         | -           | 122                         |
| Total capital assets being depreciated - water | 126,194                     | 9,562     | -           | 135,756                     |

**Less Accumulated Depreciation – Water Department**

|                                                     | Balance at<br>July 01, 2007 | Additions | Retirements | Balance at<br>June 30, 2008 |
|-----------------------------------------------------|-----------------------------|-----------|-------------|-----------------------------|
| Structures and improvements                         | 12,670                      | 1,152     | -           | 13,822                      |
| Supply mains                                        | 403                         | 31        | -           | 434                         |
| Wells and springs                                   | -                           | 127       | -           | 127                         |
| Pump equipment                                      | 7,190                       | 1,253     | -           | 8,443                       |
| Transmission and distribution lines                 | 16,450                      | 1,749     | -           | 18,199                      |
| Services and meters                                 | 4,878                       | 249       | -           | 5,127                       |
| Hydrants                                            | 57                          | 5         | -           | 62                          |
| Total accumulated depreciation                      | 41,648                      | 4,566     | -           | 46,214                      |
| Total capital assets being depreciated, net - water | 84,546                      | 4,996     | -           | 89,542                      |
| Net capital assets - water                          | \$ 86,612                   | \$ 4,996  | \$ -        | \$ 91,608                   |

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**CAPITAL ASSETS (Continued)**

Capital assets activity for the year ended June 30, 2009 was as follows:

**Sewer Department**

|                                                    | Balance at<br>July 01, 2008 | Additions | Retirements | Balance at<br>June 30, 2009 |
|----------------------------------------------------|-----------------------------|-----------|-------------|-----------------------------|
| Capital assets not being depreciated:              |                             |           |             |                             |
| Land and land rights                               | \$ 917,885                  | \$ -      | \$ -        | \$ 917,885                  |
| Construction work in progress                      | 71,035                      | 1,043,727 | -           | 1,114,762                   |
| Total capital assets not being depreciated - sewer | 988,920                     | 1,043,727 | -           | 2,032,647                   |
| Capital assets being depreciated:                  |                             |           |             |                             |
| Collection mains and services                      | 10,806,841                  | 13,605    | -           | 10,820,446                  |
| Transmission mains                                 | 240,858                     | -         | -           | 240,858                     |
| Gravity mains                                      | 64,865                      | -         | -           | 64,865                      |
| Force mains                                        | 1,118,426                   | 28,650    | -           | 1,147,076                   |
| Flow meters                                        | 13,187                      | -         | -           | 13,187                      |
| Electric pumping equipment                         | 2,013,502                   | 192,580   | -           | 2,206,082                   |
| Transportation equipment                           | 80,580                      | 22,430    | 22,800      | 80,210                      |
| Communication equipment                            | 5,070                       | 21,343    | 3,540       | 22,873                      |
| Furniture and office equipment                     | 104,004                     | 136,510   | 1,888       | 238,626                     |
| Total capital assets being depreciated - sewer     | 14,447,333                  | 415,118   | 28,228      | 14,834,223                  |

**Less Accumulated Depreciation – Sewer Department**

|                                                     | Balance at<br>July 01, 2008 | Additions    | Retirements | Balance at<br>June 30, 2009 |
|-----------------------------------------------------|-----------------------------|--------------|-------------|-----------------------------|
| Collection mains and services                       | 2,476,558                   | 216,284      | -           | 2,692,842                   |
| Transmission mains                                  | 88,544                      | 4,817        | -           | 93,361                      |
| Gravity mains                                       | 17,512                      | 1,297        | -           | 18,809                      |
| Force mains                                         | 407,797                     | 22,511       | -           | 430,308                     |
| Flow meters                                         | 3,670                       | 264          | -           | 3,934                       |
| Electric pumping equipment                          | 670,866                     | 58,900       | -           | 729,766                     |
| Transportation equipment                            | 65,446                      | 11,804       | 22,800      | 54,450                      |
| Communication equipment                             | 3,360                       | 3,083        | 2,844       | 3,599                       |
| Furniture and office equipment                      | 88,303                      | 11,474       | 1,706       | 98,071                      |
| Total accumulated depreciation                      | 3,822,056                   | 330,434      | 27,350      | 4,125,140                   |
| Total capital assets being depreciated, net - sewer | 10,625,277                  | 84,684       | 878         | 10,709,083                  |
| Net capital assets - sewer                          | \$ 11,614,197               | \$ 1,128,411 | \$ 878      | \$ 12,741,730               |

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**CAPITAL ASSETS (Continued)**

**Water Department**

|                                                | Balance at<br>July 01, 2008 | Additions | Retirements | Balance at<br>June 30, 2009 |
|------------------------------------------------|-----------------------------|-----------|-------------|-----------------------------|
| Capital assets not being depreciated:          |                             |           |             |                             |
| Land and land rights                           | \$ 2,066                    | \$ -      | \$ -        | \$ 2,066                    |
| Capital assets being depreciated:              |                             |           |             |                             |
| Structures and improvements                    | 35,953                      | 38,329    | -           | 74,282                      |
| Supply mains                                   | 1,240                       | -         | -           | 1,240                       |
| Wells and springs                              | 9,949                       | -         | -           | 9,949                       |
| Pump equipment                                 | 18,235                      | -         | -           | 18,235                      |
| Transmission and distribution lines            | 58,317                      | -         | -           | 58,317                      |
| Services and meters                            | 11,940                      | 558       | -           | 12,498                      |
| Hydrants                                       | 122                         | -         | -           | 122                         |
| Total capital assets being depreciated - water | 135,756                     | 38,887    | -           | 174,643                     |

**Less Accumulated Depreciation – Water Department**

|                                                     | Balance at<br>July 01, 2008 | Additions | Retirements | Balance at<br>June 30, 2009 |
|-----------------------------------------------------|-----------------------------|-----------|-------------|-----------------------------|
| Structures and improvements                         | 13,822                      | 1,795     | -           | 15,617                      |
| Supply mains                                        | 434                         | 31        | -           | 465                         |
| Wells and springs                                   | 127                         | 255       | -           | 382                         |
| Pump equipment                                      | 8,443                       | 1,016     | -           | 9,459                       |
| Transmission and distribution lines                 | 18,199                      | 1,749     | -           | 19,948                      |
| Services and meters                                 | 5,127                       | 322       | -           | 5,449                       |
| Hydrants                                            | 62                          | 4         | -           | 66                          |
| Total accumulated depreciation                      | 46,214                      | 5,172     | -           | 51,386                      |
| Total capital assets being depreciated, net - water | 89,542                      | 33,715    | -           | 123,257                     |
| Net capital assets - water                          | \$ 91,608                   | \$ 33,715 | \$ -        | \$ 125,323                  |



Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**CONSTRUCTION WORK IN PROGRESS**

Construction work in progress is made up of the following at June 30, 2009:

|                                       |                     |
|---------------------------------------|---------------------|
| Flowing Springs Sewer Treatment Plant | \$ 1,037,245        |
| Norborne Glebe Project                | 9,689               |
| Sheridan Project                      | 8,403               |
| Old Standard                          | 27,582              |
| Wormald/Beallair Project              | 15,934              |
| Spruce Hill North Project             | 14,740              |
| Jefferson Crossing II                 | 1,169               |
|                                       | <u>\$ 1,114,762</u> |

The District is in the planning phase of construction of the Flowing Springs waste water treatment plant. The District estimated the cost of the 1 million gallons a day treatment plant to be approximately \$26.5 million. The District is planning to finance this project with West Virginia Department of Environmental Protection bonds in the amount of \$25.5 million at 0% interest for thirty years with a 1/2% administration fee. The District also received a \$1 million funding comment from the Jefferson County Development Authority. Through fiscal year ended June 30, 2009 the District has invested \$1,037,245 in engineering fees and other professional services that were financed through a Bond Anticipation Note payable of \$750,000 and operations.

The Norborne Glebe Project is an alternate main line extension that will service the Norborne Glebe subdivision. The project will service approximately 602 homes, of which 60 homes are currently on the billing system. This project is being built by the developer and upon completion will be turned over to the District, at which time the estimated total cost of the project will be recorded on the District's books as utility plant and capital contributions. Phase I was turned over to the District in September 2005. This is reflected in capital contributions and utility plant in the year ended June 30, 2006. The estimated date of completion for the remainder of the project is 2015 with an estimated total cost of \$500,000 (unaudited).

The District has an alternate main line extension agreement for the Sheridan development and four separate agreements for the associated Old Standard wastewater treatment plant. The agreements are; real estate purchase agreement, leaseback agreement, o & m agreement and an asset purchase agreement. The real estate purchase agreement and leaseback agreement stages have already taken place and the plant is currently constructed and serving the homes of Sheridan. It has not been turned over to the District from the developer as there is still small debt on the plant. The homes in Sheridan are customers of the developer until they turn the plant over to the District.

The Old Standard wastewater treatment plant is serving the customers from the Sheridan development. Customers are now residing at the Sheridan development. The developer deeded approximately 2.5 acres to the District for a treatment plant in September 2004. Fiscal year ended June 30, 2005 was retroactively restated to reflect this as a prior period adjustment in capital contributions and utility plant. This treatment plant is being built by the developer and eventually will be turned over to the District for \$1, at which time the estimated total cost of the plant will be recorded on the District's books as utility plant and capital contributions. The total estimated cost is approximately \$1,500,000 (unaudited), but in the future the total cost is estimated to be approximately \$4,500,000 (unaudited) as customers come on line.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**CONSTRUCTION WORK IN PROGRESS (Continued)**

The Wormald/Beallair Project is an alternate mainline extension that will service the Wormald/Beallair subdivision. The project will service approximately 400 homes, of which 2 are currently online; however, homes in which a commitment letter has not been executed timely, a flat monthly rate is being billed. This project is being built by the developer and upon completion will be turned over to the District for \$1, at which time the estimated total cost of the project will be recorded on the District's books as utility plant and capital contributions. The estimated cost is currently unavailable. The District has accepted 1 pump station and lines for 1-49.

The Spruce Hill North Project is an alternate mainline extension that will service the Spruce Hill North subdivision. The project will service approximately 130 homes, of which 5 are currently on the billing system. This project is being built by the developer and upon completion will be turned over to the District, at which time the estimated total cost of the project will be recorded on the District's books as utility plant and capital contributions. The total estimated cost is approximately \$100,000 (unaudited).

The Jefferson Crossing II project is a business area consisting of two (2) office buildings, two (2) strip malls, one (1) gas station, (1) car wash and two (2) restaurants currently online, with possible expansion occurring in future years. This will be turned over to the District in the future, at which time the estimated total cost of the project will be recorded on the District's books. The estimated cost is currently unavailable.

**OTHER ASSETS**

**Future Utility Plant Preliminary Survey and Design Charges**

These charges represent engineering, legal, accounting and other incidental costs incurred for the acquisition and or development of future sewer and water systems.

**Other Assets-Capacity Upgrades**

The District's contribution to the Charles Town wastewater treatment plant upgrade is being amortized over the remaining life (25 years) of the associated bonds. The carrying amount of this asset, net of amortization at June 30, 2009 and 2008 is \$928,020 and \$972,212, respectively. (See details on reclassification in Sewer Service Agreement note).

During fiscal year ending June 30, 2008 the District purchased capacity related to a pump station from the Municipality of Ranson in the amount of \$121,151. The District believes it will only need that capacity for about five years. The carrying amount of this asset, net of amortization at June 30, 2009 is \$72,691.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**REVENUE BONDS PAYABLE**

The District was obligated under trust indentures with respect to the following sewer revenue bonds outstanding at June 30, 2009 and 2008:

Series - 1988 B sewer revenue bonds, original face value of \$425,767, payable in annual installments, with principal beginning in 1990 at \$10,917 at 0% interest and concluding October 10, 2028.

|                   |                   |
|-------------------|-------------------|
| <b>\$ 218,344</b> | <b>\$ 229,261</b> |
|-------------------|-------------------|

Series - 1993 A sewer revenue bonds, original face value of \$971,000, payable in quarterly installments, with principal beginning March 1, 1994 at \$12,138 at 0% interest and concluding December 1, 2013.

|                |                |
|----------------|----------------|
| <b>218,466</b> | <b>267,014</b> |
|----------------|----------------|

Series - 1998 A sewer revenue refinancing bonds, original face value of \$2,430,000, payable in annual installments, with principal and interest beginning October 1, 1998 at 4.15% increasing to 5.25% interest and concluding October 1, 2028.

|                  |                  |
|------------------|------------------|
| <b>1,945,000</b> | <b>2,000,000</b> |
|------------------|------------------|

Series - 1998 B sewer revenue bonds, original face value of \$599,089, payable in quarterly installments, with principal beginning September 1, 1999 at \$7,489 at 0% interest and concluding June 1, 2019.

|                |                |
|----------------|----------------|
| <b>299,529</b> | <b>329,485</b> |
|----------------|----------------|

Series - 1998 C sewer revenue bond, Infrastructure fund, original face value of \$662,039, payable in quarterly installments, with principal and interest beginning September 1, 2019 at 1% interest and concluding June 1, 2038.

|                |                |
|----------------|----------------|
| <b>662,039</b> | <b>662,039</b> |
|----------------|----------------|

Series - 1999 A sewer revenue bond, original face value of \$378,363, payable in quarterly installments, with principal beginning June 1, 2000 at \$3,154 at 0% interest and concluding March 1, 2030.

|                |                |
|----------------|----------------|
| <b>261,699</b> | <b>274,311</b> |
|----------------|----------------|

Series - 2000 A sewer revenue bonds, original face value of \$1,154,889, payable in quarterly installments with principal beginning March 1, 2002 at \$9,625 at 0% interest and concluding December 1, 2031.

|                |                |
|----------------|----------------|
| <b>866,160</b> | <b>904,656</b> |
|----------------|----------------|

Series - 2008 A sewer revenue bonds, original face value of \$2,005,000, payable in quarterly installments with principal beginning March 1, 2009 at \$16,709 at 0% interest and concluding December 1, 2038.

|                         |                         |
|-------------------------|-------------------------|
| <b><u>1,971,582</u></b> | <b><u>2,005,000</u></b> |
|-------------------------|-------------------------|

Total revenue bonds payable

|                            |                            |
|----------------------------|----------------------------|
| <b>\$ <u>6,442,819</u></b> | <b>\$ <u>6,671,766</u></b> |
|----------------------------|----------------------------|

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**REVENUE BONDS PAYABLE (Continued)**

Maturities of sewer revenue bonds payable and interest payments for each of the next five years and in subsequent five-year increments succeeding June 30, 2009 are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u>    | <u>Interest</u>     |
|----------------------------|---------------------|---------------------|
| 2010                       | \$ 267,365          | \$ 100,794          |
| 2011                       | 267,365             | 97,794              |
| 2012                       | 272,362             | 94,794              |
| 2013                       | 272,361             | 91,544              |
| 2014                       | 253,087             | 88,294              |
| 2015-2019                  | 1,209,063           | 383,738             |
| 2020-2024                  | 1,331,514           | 294,409             |
| 2025-2029                  | 1,499,826           | 132,803             |
| 2030-2034                  | 619,128             | 12,242              |
| 2035-2040                  | 450,748             | 3,207               |
|                            | <u>\$ 6,442,819</u> | <u>\$ 1,299,619</u> |

The bond issues are secured by a first lien on the revenues derived from the system and a statutory mortgage. All sewer revenue bonds are on parity with each other.

Sewer revenue bond activity for the year ended June 30, 2008 was as follows:

|                                                                                 | <u>Balance at<br/>July 01, 2007</u> | <u>Additions</u>    | <u>Deductions</u> | <u>Balance at<br/>June 30, 2008</u> |
|---------------------------------------------------------------------------------|-------------------------------------|---------------------|-------------------|-------------------------------------|
| Series 1988 B                                                                   | \$ 240,178                          | \$ -                | \$ 10,917         | \$ 229,261                          |
| Series 1993 A                                                                   | 315,562                             | -                   | 48,548            | 267,014                             |
| Series 1998 A                                                                   | 2,055,000                           | -                   | 55,000            | 2,000,000                           |
| Series 1998 B                                                                   | 359,441                             | -                   | 29,956            | 329,485                             |
| Series 1998 C                                                                   | 662,039                             | -                   | -                 | 662,039                             |
| Series 1999 A                                                                   | 286,923                             | -                   | 12,612            | 274,311                             |
| Series 2000 A                                                                   | 943,152                             | -                   | 38,496            | 904,656                             |
| Series 2008 A                                                                   | -                                   | 2,005,000           | -                 | 2,005,000                           |
| Total sewer revenue bonds payable                                               | <u>\$ 4,862,295</u>                 | <u>\$ 2,005,000</u> | <u>\$ 195,529</u> | <u>\$ 6,671,766</u>                 |
| Less: Current portion due in upcoming year                                      |                                     |                     |                   | <u>228,947</u>                      |
| Long-term sewer revenue bonds payable at June 30, 2008 (net of current portion) |                                     |                     |                   | <u>\$ 6,442,819</u>                 |

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**REVENUE BONDS PAYABLE (Continued)**

Sewer revenue bond activity for the year ended June 30, 2009 was as follows:

|                                                                                 | Balance at<br>July 01, 2008 | Additions   | Deductions        | Balance at<br>June 30, 2009 |
|---------------------------------------------------------------------------------|-----------------------------|-------------|-------------------|-----------------------------|
| Series 1988 B                                                                   | \$ 229,261                  | \$ -        | \$ 10,917         | \$ 218,344                  |
| Series 1993 A                                                                   | 267,014                     | -           | 48,548            | 218,466                     |
| Series 1998 A                                                                   | 2,000,000                   | -           | 55,000            | 1,945,000                   |
| Series 1998 B                                                                   | 329,485                     | -           | 29,956            | 299,529                     |
| Series 1998 C                                                                   | 662,039                     | -           | -                 | 662,039                     |
| Series 1999 A                                                                   | 274,311                     | -           | 12,612            | 261,699                     |
| Series 2000 A                                                                   | 904,656                     | -           | 38,496            | 866,160                     |
| Series 2008 A                                                                   | 2,005,000                   | -           | 33,418            | 1,971,582                   |
| Total sewer revenue<br>bond payable                                             | \$ <u>6,671,766</u>         | \$ <u>-</u> | \$ <u>228,947</u> | \$ 6,442,819                |
| Less: Current portion<br>due in upcoming year                                   |                             |             |                   | <u>267,365</u>              |
| Long-term sewer revenue bonds payable at June 30, 2008 (net of current portion) |                             |             |                   | \$ <u>6,175,454</u>         |

The covenants contained in the bond issues include a required debt service coverage ratio of 115%. As of June 30, 2009 and 2008, the District's debt service coverage ratio was 109%, and 147% respectively. Each of the bond issues also requires monthly deposits to the renewal and replacement fund equal to 2 1/2% of monthly gross revenues less reserve funding requirements. For the years ended June 30, 2009 and 2008, the District fully funded the renewal and replacement reserve.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**REVENUE BONDS PAYABLE (Continued)**

**Legal Defeasance of Bonds**

On January 19, 2006, the City of Charles Town issued Combined Waterworks and Sewage System revenue bonds Series 2006 A to advance refund the District's 2003 A and 2003 B Series bonds. The remaining balance of the District's Series 2003 A and 2003 B Series bonds were defeased as part of the transfer of the District's Huntfield assets and customers to the City of Charles Town per West Virginia Public Service Commission (PSC) order dated July 28, 2005. Net proceeds from the issuance of Charles Town's bonds, along with funds in the District's Debt Service and Debt Service Reserve funds for the 2003 A and 2003 B bonds were deposited into an irrevocable trust with an escrow agent to provide debt service payments on the 2003 series bonds until final maturity, June 2006 for Series B bonds and June 2014 for Series A bonds.

Legal defeasance occurs when debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid. The advance refunding of the 2003 A and 2003 B bonds was a legal defeasance per the settlement agreement, and the escrowed amounts and bonds payable have been removed from the District's balance sheet for the year ended June 30, 2006. The amount of unpaid debt at the date of refunding was \$1,460,000. As a result of the advance refunding, the District reduced its total annual debt service requirement by approximately \$110,000. A net loss of \$90,724 was recognized on the transfer of the assets and defeasance of the debt. The outstanding principal of the defeased bonds are \$1,305,000 as of June 30, 2009. (See loss on transfer of facilities note for more detail.)

**NOTES PAYABLE**

Notes payable consist of the following:

|                                                                                                                                                                                                                                                                                                                                                                                              | <u>2009</u>       | <u>2008</u>       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>Sewer Department</b>                                                                                                                                                                                                                                                                                                                                                                      |                   |                   |
| Bond anticipation note payable to the bank in the amount of \$750,000 at the fixed rate of 3.25%, principal due for engineering and other cost associated with the planning of the new treatment plant.                                                                                                                                                                                      | \$ <u>750,000</u> | \$ <u>-</u>       |
| <b>Water Department</b>                                                                                                                                                                                                                                                                                                                                                                      |                   |                   |
| Note payable to the West Virginia Water Development Authority in the original amount of \$145,000 for the temporary financing of the preliminary design of the Blue Ridge Water Project, non-interest bearing, principal deferred (see terms in Deferred Cost of System Design Note), secured by the proceeds of any grants received, proceeds of any bonds, and surplus operating revenues. | \$ <u>145,000</u> | \$ <u>145,000</u> |

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**CAPITAL IMPROVEMENT FEES**

The District began collecting capital improvement fees in March 2005 for all new connections to the District's system pursuant to a PSC order dated March 28, 2005. This order was modified by an order dated January 30, 2009, to increase the amount of the capital improvement fee collected to \$7,500 from \$1,127 per equivalent dwelling unit.

As required by the previous order, new service connections that will be treated at the Charles Town waste water treatment plant, \$1,127 per equivalent dwelling unit will be maintained in a separate fund administered jointly by the District and, the City of Charles Town, and the Corporation of Ranson and shall only be used for the purpose of improving the Charles Town treatment facilities. The District collected \$37,191 and \$100,303 in fiscal years ended June 30, 2009 and 2008 respectively. The District remitted \$42,826 and \$96,922 to the joint account as of June 30, 2009 and 2008 respectively. The balance of \$0 and \$5,635 is reflected in the District's balance sheet as a current liability payable from the restricted cash as of June 30, 2009 and 2008 respectively.

Per the January 30, 2009 order, new sewer connections that will be treated at the District's Flowing Springs waste water treatment plant and the capital improvement fees collected in excess of amounts required to be remitted to Charles Town, are required to be used to pay down debt service of the construction bonds.

**MISCELLANEOUS OPERATING REVENUES**

Miscellaneous operating revenues - sewer department- consist of the following items:

|                                        | <u>2009</u>      | <u>2008</u>      |
|----------------------------------------|------------------|------------------|
| Transportation credits                 | \$ 37,498        | \$ 41,495        |
| System billing fees - water department | 30,755           | 32,207           |
| Sewer inspection fees                  | 475              | 1,715            |
| Disconnect/reconnect fees              | 1,190            | 930              |
| Other miscellaneous revenue            | <u>6,578</u>     | <u>17,193</u>    |
| Total                                  | \$ <u>76,496</u> | \$ <u>93,540</u> |

**LEASE**

In April 2008, the District entered into a (10) ten year facilities lease agreement with options to extend. The monthly lease payments start at \$5,782 for the first twelve months and escalate at a rate of 3% each year. Minimum future rental payments under non-cancelable operating lease are as follows:

|                                      |                   |
|--------------------------------------|-------------------|
| 2010                                 | \$ 70,769         |
| 2011                                 | 72,892            |
| 2012                                 | 75,079            |
| 2013                                 | 77,331            |
| 2014                                 | 79,651            |
| There after                          | <u>381,176</u>    |
| Total minimum future rental payments | \$ <u>756,898</u> |

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**SEWER SERVICE AGREEMENT**

Effective for service rendered on and after May 1, 2005, by order of the Public Service Commission of West Virginia (PSC), the District is considered a bulk rate customer to the City of Charles Town, therefore, the specific formula used to calculate the amount charged for these sewer services in prior years was changed to include actual usage at a resale rate as stated in the City of Charles Town's sewer tariff, less resale and transportation credits, applicable only to the District. The bulk rate is reflected at gross in the supplemental schedule of operating expenses - sewer department under treatment and disposal rent. The credits are reflected as income in the District's financial statements. The resale credit, which is for the debt incurred by the District as part of the 2000 Charles Town treatment plant upgrade, is reflected as miscellaneous non-operating revenues.

As of July 1, 2005, the District's asset related to the Charles Town wastewater treatment plant upgrade was reclassified from utility plant in service to other assets on the balance sheet and is being amortized over the remaining life (25 years) of the associated bonds for the Charles Town wastewater treatment plant upgrades (Series 2000). The carrying amount of this asset, net of amortization at June 30, 2009 and 2008 is \$928,020 and \$972,212, respectively. The transportation credits are for reimbursement of fixed debt associated with lift stations to transport Charles Town's sewage from the former Sanitary Associates service area, and for flows from the former Sanitary Associates area. These credits are included in miscellaneous operating revenues. During the year ended June 30, 2009 and 2008, treatment expenses totaled \$574,015 and \$579,138, respectively.

Effective December 2005, per the Amendment to Sewer Service Agreement, the District must also remit to Charles Town, on a monthly basis, \$6.10 per equivalent dwelling unit for all new sewer service customers that connect to the sewer system on or after December 2005.

**COMMITMENTS AND CONTINGENCIES**

**Retirement Contributions Payable**

All full-time employees of the District are eligible and must participate in the state PERS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after reaching the age of 60 and accumulating 5 years or more of credited service in force. Benefits generally vest in varying degrees once a member attains 5 or more years of credited service in force. Employees who retire at age 60 with 5 or more years of credited service in force are entitled to pension payments for the rest of their lives equal to 2% of their final, three year average salary times the number of years for which they were employed by a participant in the state PERS.

Pension provisions include deferred allowance whereby an employee may terminate his or her employment with the District after accumulating 5 or more years of credited service in force, but before reaching the age of 60. If the employee does not withdraw his or her accumulated contributions, the employee is entitled to certain pension benefits in accordance with the West Virginia Public Employees Retirement Act.

Pension provisions include annuity options to provide benefits to a member's nominated beneficiary if so elected. In addition, disability retirement is provided for members who meet certain requirements as specified in the act.



## **NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

### **Retirement Contributions Payable (Continued)**

Employees of the District are required to pay 4.5% of their gross earnings to the pension plan. The District is required to make annual contributions to the plan equal to 10.5% of its covered payroll. The District made \$40,618 and \$37,482 of employer contributions to the plan for the years ended June 30, 2009 and 2008, respectively. Information regarding this plan is available from the State of West Virginia.

### **OTHER POST EMPLOYMENT BENEFITS**

The District is an active participant with the West Virginia Public Employees Insurance Agency (PEIA), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. PEIA provides medical benefits to retired employees and former employees of participating and non-participating West Virginia government entities. West Virginia Code, Chapter 5, Article 16, assigns the authority to establish and amend benefit provisions to PEIA. PEIA annually issues a publically available financial report that includes financial statements and required supplementary information. That report may be obtained online from PEIA's website: [www.westvirginia.com/peia](http://www.westvirginia.com/peia).

West Virginia Code, Chapter 5, Article 16 provides that contribution requirements of the plan and the participating employers are established and may be amended by PEIA. Participating employers contribute \$140 per month per participating employee.

Participating employers are contractually required to contribute at a rate assessed each year by PEIA. PEIA sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District has not contributed to the post employment health care plan.

### **Deferred Cost of System Design**

The District entered into a contract for preconstruction engineering services for design of extensions and improvements to existing water systems in the Blue Ridge Mountain area of Jefferson County. A portion of the cost of these services was paid through a 1997 loan from the West Virginia Infrastructure Council.

As of June 30, 2001, the District's Board voted not to proceed with this project. According to the 1997 loan agreement, if on the 20<sup>th</sup> anniversary of the issuance of the note the District has not received any grants, other than Infrastructure Fund grants, has not issued obligations to repay the notes and has not constructed any improvements to its system, then the notes will convert to a grant and cancel the note. The District asked the Infrastructure Council to convert this note to a grant. The request was denied. The Infrastructure Council purported to modify the terms of the loan unilaterally, and requested repayment from the District under a unilaterally established repayment schedule. The District has never agreed to the revised terms. Further, before the District could commence making payment to the Infrastructure Council under their proposed revised terms, the District would need to obtain the approval of such revised terms from the Public Service Commission.

The District has neither sought nor obtained such approval from the Public Service Commission; therefore the District is prohibited from making any payments on this loan.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**PUBLIC PRIVATE PARTNERSHIP**

The District joined a public private partnership with Jefferson Utilities, Inc. ("JUI"). JUI owns a water system serving approximately 400 customers which is currently known as Mountain Water Systems. It is estimated that approximately \$16 million of improvements to the system would be required to improve compliance with the state regulatory requirements and provide adequate water supply.

In this partnership, the District is considered the project sponsor and will apply for all public funding. The District will also be responsible for bidding and applying for all necessary permits for the construction of the project, except for the application to the Public Service Commission for a certificate of convenience and necessity and for the approval of this agreement and the request for the Bureau for Public Health for a permit, all of which shall be submitted jointly.

The project facilities will be owned by the District and a user fee will be charged to JUI at a level necessary for the District to fully satisfy its financial obligations on the project funding including, as necessary, principal and interest payments, reserve requirements, renewal and replacement funding requirements, coverage requirements, and any of the District's managements costs related to the Mountain Water Systems.

The agreement will terminate upon the earliest of the following: (1) closing on funding for the project has not occurred by December 31, 2011; (2) closing has occurred on the District's exercise of its JUI purchase option; or (3) project funding has been fully amortized. The District invested approximately \$25,000 through June 30, 2009 related to this partnership.

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash and cash equivalents consist of the following at June 30, 2009 and 2008:

|                 | <u>2009</u>       |                     | <u>2008</u>       |                     |
|-----------------|-------------------|---------------------|-------------------|---------------------|
|                 | <u>Water</u>      | <u>Sewer</u>        | <u>Water</u>      | <u>Sewer</u>        |
| Cash            | \$ 128,143        | \$ 382,440          | \$ 160,181        | \$ 427,393          |
| Restricted cash | <u>3,674</u>      | <u>776,785</u>      | <u>4,010</u>      | <u>1,247,917</u>    |
| Total           | \$ <u>131,817</u> | \$ <u>1,159,225</u> | \$ <u>164,191</u> | \$ <u>1,675,310</u> |

Schedule of Noncash Investing and Financing activities at June 30, 2009 and 2008 - Sewer:

|                                      | <u>2009</u>     | <u>2008</u>        |
|--------------------------------------|-----------------|--------------------|
| Bond financed note pay off           | \$ <u>-</u>     | \$ <u>926,785</u>  |
| Bond financed payments to developers | \$ <u>-</u>     | \$ <u>429,142</u>  |
| Loss on dropped projects             | \$ <u>(878)</u> | \$ <u>(10,266)</u> |

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**FLOWING SPRINGS WASTEWATER TREATMENT PLANT ANTICIPATED FUNDING**

The District is in the planning phase for expansion of a developer donated, state-of-the-art wastewater treatment plant in the Flowing Springs watershed, also known as the Flowing Springs wastewater treatment plant, at an estimated cost of \$27.5 million. The District expects to finance the project for \$26.5 million at 0% interest with 1/2% annual administration fee for 30 years from the State Revolving Fund Program. The remainder of the project will be financed through developer contributions.

## **SUPPLEMENTAL INFORMATION**

Jefferson County Public Service District

**BUDGETARY COMPARISON SCHEDULE - WATER DEPARTMENT**

For the year ended June 30, 2009

|                                                   | <b>Budgeted<br/>Amounts<br/>Original</b> | <b>Budgeted<br/>Amounts<br/>Final</b> | <b>Actual<br/>Amounts<br/>Budgetary<br/>Basis</b> | <b>Budget<br/>to GAAP<br/>Differences<br/>Over (under)</b> | <b>Actual<br/>Amounts<br/>GAAP Basis</b> |
|---------------------------------------------------|------------------------------------------|---------------------------------------|---------------------------------------------------|------------------------------------------------------------|------------------------------------------|
| <b>REVENUES</b>                                   |                                          |                                       |                                                   |                                                            |                                          |
| Operating revenues                                | \$ 50,500                                | \$ 50,500                             | \$ 50,198 (C)                                     | \$ 174                                                     | \$ 50,372                                |
| Non-operating revenues                            | (B) 4,300                                | 4,300                                 | 826                                               | (826)                                                      | -                                        |
| Total revenues                                    | 54,800                                   | 54,800                                | 51,024                                            | (652)                                                      | 50,372                                   |
| <b>REVENUE DEDUCTIONS<br/>BEFORE DEPRECIATION</b> |                                          |                                       |                                                   |                                                            |                                          |
| Operating expenses                                | 39,700                                   | 39,700                                | 41,639                                            | -                                                          | 41,639                                   |
| Income before depreciation                        | 15,100                                   | 15,100                                | 9,385                                             | (652)                                                      | 8,733                                    |
| <b>DEPRECIATION</b>                               | (A) -                                    | -                                     | -                                                 | 5,172                                                      | 5,172                                    |
| Income before non-operating<br>expenses           | 15,100                                   | 15,100                                | 9,385                                             | (5,824)                                                    | 3,561                                    |
| <b>NON-OPERATING INCOME (EXPENSES)</b>            |                                          |                                       |                                                   |                                                            |                                          |
| Interest income                                   | (B) -                                    | -                                     | -                                                 | 826                                                        | 826                                      |
| Interest expense                                  | -                                        | -                                     | -                                                 | (9)                                                        | (9)                                      |
| Total non-operating income (expenses)             | -                                        | -                                     | -                                                 | 817                                                        | 817                                      |
|                                                   |                                          |                                       |                                                   |                                                            |                                          |
| Increase (decrease) in net assets                 | 15,100                                   | 15,100                                | 9,385                                             | (5,007)                                                    | 4,378                                    |
| Net assets at beginning of year                   | 255,934                                  | 255,934                               | 255,934                                           | 255,934                                                    | 255,934                                  |
| Net assets at end of year                         | \$ 271,034                               | \$ 271,034                            | \$ 265,319                                        | \$ 250,927                                                 | \$ 260,312                               |

**NOTES:**

- (A) Non-cash items are not included for budgetary purposes.
- (B) For budgetary purposes, includes interest earned.
- (C) Miscellaneous revenues included in non-operating revenues for budgetary purposes.

See independent auditors' report.

Jefferson County Public Service District

**BUDGETARY COMPARISON SCHEDULE - WATER DEPARTMENT**

For the year ended June 30, 2008

|                                                   | Budgeted<br>Amounts<br><u>Original</u> | Budgeted<br>Amounts<br><u>Final</u> | Actual<br>Amounts<br>Budgetary<br><u>Basis</u> | Budget<br>to GAAP<br>Differences<br><u>Over (under)</u> | Actual<br>Amounts<br>GAAP Basis |
|---------------------------------------------------|----------------------------------------|-------------------------------------|------------------------------------------------|---------------------------------------------------------|---------------------------------|
| <b>REVENUES</b>                                   |                                        |                                     |                                                |                                                         |                                 |
| Operating revenues                                | \$ 50,500                              | \$ 50,500                           | \$ 51,851 (C)                                  | \$ 450                                                  | \$ 52,301                       |
| Non-operating revenues                            | (B) 4,300                              | 4,300                               | 4,235                                          | (4,235)                                                 | -                               |
| Total revenues                                    | 54,800                                 | 54,800                              | 56,086                                         | (3,785)                                                 | 52,301                          |
| <b>REVENUE DEDUCTIONS<br/>BEFORE DEPRECIATION</b> |                                        |                                     |                                                |                                                         |                                 |
| Operating expenses                                | 39,700                                 | 39,700                              | 43,406                                         | -                                                       | 43,406                          |
| Income before depreciation                        | 15,100                                 | 15,100                              | 12,680                                         | (3,785)                                                 | 8,895                           |
| <b>DEPRECIATION</b>                               | (A) -                                  | -                                   | -                                              | 4,566                                                   | 4,566                           |
| Income before non-operating<br>expenses           | 15,100                                 | 15,100                              | 12,680                                         | (8,351)                                                 | 4,329                           |
| <b>NON-OPERATING INCOME (EXPENSES)</b>            |                                        |                                     |                                                |                                                         |                                 |
| Interest income                                   | (B) -                                  | -                                   | -                                              | 4,235                                                   | 4,235                           |
| Interest expense                                  | -                                      | -                                   | -                                              | (3)                                                     | (3)                             |
| Total non-operating income (expenses)             | -                                      | -                                   | -                                              | 4,232                                                   | 4,232                           |
| Increase (decrease) in net assets                 | 15,100                                 | 15,100                              | 12,680                                         | (4,119)                                                 | 8,561                           |
| Net assets at beginning of year                   | 247,373                                | 247,373                             | 247,373                                        | -                                                       | 247,373                         |
| Net assets at end of year                         | \$ 262,473                             | \$ 262,473                          | \$ 260,053                                     | \$ (4,119)                                              | \$ 255,934                      |

**NOTES:**

- (A) Non-cash items are not included for budgetary purposes.
- (B) For budgetary purposes, includes interest earned.
- (C) Miscellaneous revenues included in non-operating revenues for budgetary purposes.

See independent auditors' report.

Jefferson County Public Service District

**BUDGETARY COMPARISON SCHEDULE - SEWER DEPARTMENT**

For the year ended June 30, 2009

|                                                                                   | <u>Budgeted<br/>Amounts<br/>Original</u> | <u>Budgeted<br/>Amounts<br/>Final</u> | <u>Actual<br/>Amounts<br/>Budgetary<br/>Basis</u> | <u>Budget<br/>to GAAP<br/>Differences<br/>Over (under)</u> | <u>Actual<br/>Amounts<br/>GAAP Basis</u> |
|-----------------------------------------------------------------------------------|------------------------------------------|---------------------------------------|---------------------------------------------------|------------------------------------------------------------|------------------------------------------|
| <b>REVENUES</b>                                                                   |                                          |                                       |                                                   |                                                            |                                          |
| Operating revenues                                                                | \$ 2,027,000                             | \$ 1,927,000                          | \$ 1,840,095 (F)                                  | \$ 87,389                                                  | \$ 1,927,484                             |
| Non-operating revenues                                                            | (C) 170,000                              | 142,000                               | 128,435                                           | (128,435)                                                  | -                                        |
| Total revenues                                                                    | <u>2,197,000</u>                         | <u>2,069,000</u>                      | <u>1,968,530</u>                                  | <u>(41,046)</u>                                            | <u>1,927,484</u>                         |
| <b>REVENUE DEDUCTIONS<br/>BEFORE DEPRECIATION</b>                                 |                                          |                                       |                                                   |                                                            |                                          |
| Operating expenses                                                                | <u>1,637,885</u>                         | <u>1,587,885</u>                      | <u>1,578,240</u>                                  | <u>-</u>                                                   | <u>1,578,240</u>                         |
| Income before depreciation                                                        | 559,115                                  | 481,115                               | 390,290                                           | (41,046)                                                   | 349,244                                  |
| <b>DEPRECIATION</b>                                                               | (A) -                                    | -                                     | -                                                 | 330,434                                                    | 330,434                                  |
| Income before non-operating<br>expenses                                           | <u>559,115</u>                           | <u>481,115</u>                        | <u>390,290</u>                                    | <u>(371,480)</u>                                           | <u>18,810</u>                            |
| <b>NON-OPERATING INCOME (EXPENSES)</b>                                            |                                          |                                       |                                                   |                                                            |                                          |
| Interest income                                                                   | (C) -                                    | -                                     | -                                                 | 10,355                                                     | 10,355                                   |
| Loss on disposal of assets                                                        | (A) -                                    | -                                     | -                                                 | 25                                                         | 25                                       |
| Interest expense                                                                  | (B) -                                    | -                                     | -                                                 | (116,187)                                                  | (116,187)                                |
| Amortization of debt issue expense and<br>other assets - treatment plant upgrades | (A) -                                    | -                                     | -                                                 | (82,608)                                                   | (82,608)                                 |
| Loss due to dropped projects                                                      | (A) -                                    | -                                     | -                                                 | (878)                                                      | (878)                                    |
| Miscellaneous non-operating revenues                                              | (A) -                                    | -                                     | -                                                 | 41,412                                                     | 41,412                                   |
| Total non-operating income (expenses)                                             | <u>-</u>                                 | <u>-</u>                              | <u>-</u>                                          | <u>(147,881)</u>                                           | <u>(147,881)</u>                         |
| Increase (decrease) in net assets<br>before capital contributions                 | <u>559,115</u>                           | <u>481,115</u>                        | <u>390,290</u>                                    | <u>(519,361)</u>                                           | <u>(129,071)</u>                         |
| <b>CAPITAL CONTRIBUTIONS</b>                                                      | (A) (C) -                                | -                                     | -                                                 | 13,246                                                     | 13,246                                   |
| <b>OTHER FINANCING SOURCES (USES)</b>                                             |                                          |                                       |                                                   |                                                            |                                          |
| Renewal and replacement funds                                                     | (54,925)                                 | (51,725)                              | (49,254) (E)                                      | 49,254                                                     | -                                        |
| Debt service                                                                      | (D) (308,974)                            | (393,000)                             | (341,004) (E)                                     | 341,004                                                    | -                                        |
| Total other financing (uses)                                                      | <u>(363,899)</u>                         | <u>(444,725)</u>                      | <u>(390,258)</u>                                  | <u>390,258</u>                                             | <u>-</u>                                 |
| Increase (decrease) in net assets                                                 | 195,216                                  | 36,390                                | 32                                                | (115,857)                                                  | (115,825)                                |
| Net assets at beginning of year                                                   | <u>8,619,353</u>                         | <u>8,619,353</u>                      | <u>8,619,353</u>                                  | <u>-</u>                                                   | <u>8,619,353</u>                         |
| Net assets at end of year                                                         | \$ <u>8,814,569</u>                      | \$ <u>8,655,743</u>                   | \$ <u>8,619,385</u>                               | \$ <u>(115,857)</u>                                        | \$ <u>8,503,528</u>                      |

**NOTES:**

- (A) Non-cash items are not included for budgetary purposes.
- (B) Interest expense is included in debt service for budgetary purposes.
- (C) For budgetary purposes, includes interest earned on debt service and other funds, capital contributions, developer guaranteed minimum payments and miscellaneous operating revenues.
- (D) Budget includes principal, interest, and funding of debt service and reserve funds.
- (E) Balance sheet transactions are excluded from revenues and expenses under GAAP.
- (F) Miscellaneous revenues included in non-operating revenues for budgetary purposes.

See independent auditors' report.

Jefferson County Public Service District

**BUDGETARY COMPARISON SCHEDULE - SEWER DEPARTMENT**

For the year ended June 30, 2008

|                                                                                   | <u>Budgeted<br/>Amounts<br/>Original</u> | <u>Budgeted<br/>Amounts<br/>Final</u> | <u>Actual<br/>Amounts<br/>Budgetary<br/>Basis</u> | <u>Budget<br/>to GAAP<br/>Differences<br/>Over (under)</u> | <u>Actual<br/>Amounts<br/>GAAP Basis</u> |
|-----------------------------------------------------------------------------------|------------------------------------------|---------------------------------------|---------------------------------------------------|------------------------------------------------------------|------------------------------------------|
| <b>REVENUES</b>                                                                   |                                          |                                       |                                                   |                                                            |                                          |
| Operating revenues                                                                | \$ 1,862,000                             | \$ 2,000,000                          | \$ 1,988,939 (F)                                  | \$ 33,770                                                  | \$ 2,022,709                             |
| Non-operating revenues                                                            | (C) 86,400                               | 148,000                               | 168,438                                           | (168,438)                                                  | -                                        |
| Total revenues                                                                    | <u>1,948,400</u>                         | <u>2,148,000</u>                      | <u>2,157,377</u>                                  | <u>(134,668)</u>                                           | <u>2,022,709</u>                         |
| <b>REVENUE DEDUCTIONS<br/>BEFORE DEPRECIATION</b>                                 |                                          |                                       |                                                   |                                                            |                                          |
| Operating expenses                                                                | <u>1,351,955</u>                         | <u>1,540,075</u>                      | <u>1,561,484</u>                                  | -                                                          | <u>1,561,484</u>                         |
| Income before depreciation *                                                      | 596,445                                  | 607,925                               | 595,893                                           | (134,668)                                                  | 461,225                                  |
| <b>DEPRECIATION</b>                                                               |                                          |                                       |                                                   |                                                            |                                          |
| (A)                                                                               | -                                        | -                                     | -                                                 | 303,440                                                    | 303,440                                  |
| Income before non-operating<br>expenses                                           | <u>596,445</u>                           | <u>607,925</u>                        | <u>595,893</u>                                    | <u>(438,108)</u>                                           | <u>157,785</u>                           |
| <b>NON-OPERATING INCOME (EXPENSES)</b>                                            |                                          |                                       |                                                   |                                                            |                                          |
| Interest income                                                                   | (C) -                                    | -                                     | -                                                 | 38,668                                                     | 38,668                                   |
| Loss on disposal of assets                                                        | (A) -                                    | -                                     | -                                                 | (1,394)                                                    | (1,394)                                  |
| Developer guaranteed minimum payment                                              | (C) -                                    | -                                     | -                                                 | -                                                          | -                                        |
| Interest expense                                                                  | (B) -                                    | -                                     | -                                                 | (117,987)                                                  | (117,987)                                |
| Amortization of debt issue expense and<br>other assets - treatment plant upgrades | (A) -                                    | -                                     | -                                                 | (81,209)                                                   | (81,209)                                 |
| Loss due to dropped projects                                                      | (A) -                                    | -                                     | -                                                 | (10,266)                                                   | (10,266)                                 |
| Miscellaneous non-operating revenues                                              | (A) -                                    | -                                     | -                                                 | 41,412                                                     | 41,412                                   |
| Total non-operating income (expenses)                                             | -                                        | -                                     | -                                                 | <u>(130,776)</u>                                           | <u>(130,776)</u>                         |
| Increase (decrease) in net assets<br>before capital contributions                 | <u>596,445</u>                           | <u>607,925</u>                        | <u>595,893</u>                                    | <u>(568,884)</u>                                           | <u>27,009</u>                            |
| <b>CAPITAL CONTRIBUTIONS</b>                                                      |                                          |                                       |                                                   |                                                            |                                          |
| (A) (C)                                                                           | -                                        | -                                     | -                                                 | -                                                          | -                                        |
| <b>OTHER FINANCING SOURCES (USES)</b>                                             |                                          |                                       |                                                   |                                                            |                                          |
| Renewal and replacement funds                                                     | (48,710)                                 | (48,710)                              | (54,972) (E)                                      | 54,972                                                     | -                                        |
| Debt service                                                                      | (D) (393,000)                            | (393,000)                             | (319,186) (E)                                     | 319,186                                                    | -                                        |
| Total other financing (uses)                                                      | <u>(441,710)</u>                         | <u>(441,710)</u>                      | <u>(374,158)</u>                                  | <u>374,158</u>                                             | -                                        |
| Increase (decrease) in net assets                                                 | 154,735                                  | 166,215                               | 221,735                                           | (194,726)                                                  | 27,009                                   |
| Net assets at beginning of year, restated                                         | <u>8,592,344</u>                         | <u>8,592,344</u>                      | <u>8,592,344</u>                                  | -                                                          | <u>8,592,344</u>                         |
| Net assets at end of year                                                         | \$ <u>8,747,079</u>                      | \$ <u>8,758,559</u>                   | \$ <u>8,814,079</u>                               | \$ <u>(194,726)</u>                                        | \$ <u>8,619,353</u>                      |

**NOTES:**

- (A) Non-cash items are not included for budgetary purposes.
- (B) Interest expense is included in debt service for budgetary purposes.
- (C) For budgetary purposes, includes interest earned on debt service and other funds, capital contributions, developer guaranteed minimum payments and miscellaneous operating revenues.
- (D) Budget includes principal, interest, and funding of debt service and reserve funds.
- (E) Balance sheet transactions are excluded from revenues and expenses under GAAP.
- (F) Miscellaneous revenues included in non-operating revenues for budgetary purposes.

See independent auditors' report.



Jefferson County Public Service District

**SCHEDULES OF OPERATING EXPENSES - WATER DEPARTMENT**

For the years ended June 30, 2009 and 2008

|                                            | <u>2009</u>      | <u>2008</u>      |
|--------------------------------------------|------------------|------------------|
| <b>SOURCE OF SUPPLY EXPENSES</b>           |                  |                  |
| Repairs and maintenance                    | \$ 2,766         | \$ 1,268         |
| Operation supplies and expenses            | <u>1,658</u>     | <u>3,685</u>     |
| Total                                      | <u>4,424</u>     | <u>4,953</u>     |
| <b>PUMPING EXPENSES</b>                    |                  |                  |
| Repairs and maintenance                    | 2,752            | 764              |
| Power gas and electric                     | 16,131           |                  |
| Operation supplies and expenses            | <u>3,003</u>     | <u>3,427</u>     |
| Total                                      | <u>21,886</u>    | <u>4,191</u>     |
| <b>BILLING AND COLLECTING EXPENSES</b>     |                  |                  |
| Meter reading, accounting and collection   | <u>14,734</u>    | <u>32,266</u>    |
| <b>ADMINISTRATIVE AND GENERAL EXPENSES</b> |                  |                  |
| Professional fees                          | -                | 1,033            |
| Miscellaneous expenses                     | <u>595</u>       | <u>963</u>       |
| Total                                      | <u>595</u>       | <u>1,996</u>     |
| Total operating expenses                   | \$ <u>41,639</u> | \$ <u>43,406</u> |

See independent auditors' report.

Jefferson County Public Service District

**SCHEDULES OF OPERATING EXPENSES - SEWER DEPARTMENT**

For the years ended June 30, 2009 and 2008

|                                               | <u>2009</u>         | <u>2008</u>         |
|-----------------------------------------------|---------------------|---------------------|
| <b>COLLECTING EXPENSES</b>                    |                     |                     |
| Operation labor                               | \$ 34,261           | \$ 48,783           |
| Supplies and expense                          | <u>7,635</u>        | <u>32,412</u>       |
| Total                                         | <u>41,896</u>       | <u>81,195</u>       |
| <b>PUMPING SYSTEM</b>                         |                     |                     |
| Operation labor                               | 58,584              | 66,046              |
| Power purchased for pumping                   | 35,542              | 36,908              |
| Pumping and supplies                          | 23,508              | 27,374              |
| Pumping maintenance                           | <u>69,086</u>       | <u>84,732</u>       |
| Total                                         | <u>186,720</u>      | <u>215,060</u>      |
| <b>TREATMENT AND DISPOSAL SYSTEM EXPENSES</b> |                     |                     |
| Operation labor                               | 3,888               | 4,373               |
| Supplies and expense                          | 5,189               | 5,595               |
| Treatment and disposal rent                   | <u>574,015</u>      | <u>579,138</u>      |
| Total                                         | <u>583,092</u>      | <u>589,106</u>      |
| <b>BILLING AND COLLECTING EXPENSES</b>        |                     |                     |
| Meter reading, accounting and collection      | <u>74,588</u>       | <u>73,321</u>       |
| <b>ADMINISTRATIVE AND GENERAL EXPENSES</b>    |                     |                     |
| General office salaries                       | 195,014             | 175,140             |
| Employee benefits                             | 129,669             | 117,816             |
| Office supplies and expense                   | 73,243              | 69,563              |
| Insurance                                     | 32,007              | 27,180              |
| Professional fees                             | 110,992             | 106,965             |
| Miscellaneous general expense                 | 21,536              | 20,812              |
| Directors' fees                               | 5,050               | 4,780               |
| Rent                                          | 57,336              | 12,000              |
| Regulatory commission expense and penalties   | 16,158              | 13,253              |
| Transportation expense                        | 4,022               | 6,189               |
| Utilities                                     | 16,614              | 16,433              |
| Bad debts                                     | 14,515              | 17,840              |
| Repairs and maintenance                       | <u>15,788</u>       | <u>14,831</u>       |
| Total                                         | <u>691,944</u>      | <u>602,802</u>      |
| Total operating expenses                      | \$ <u>1,578,240</u> | \$ <u>1,561,484</u> |

See independent auditors' report.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Members of the Public Service Board  
Jefferson County Public Service District

We have audited the accompanying financial statements of the business-type activities of the Jefferson County Public Service ("District") as of and for the years ended June 30, 2009 and 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, or material weakness. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings as 2009-1 to be a significant deficiency in the internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above, as item 2009-1 to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings as item 2009-2.

We noted certain matters that we reported to management of the District in a separate letter dated December 1, 2009.

This report is intended solely for the information and use of the District and its various regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

*CoxHollidaPrice LLP*

Martinsburg, WV

December 1, 2009

Jefferson County Public Service District

**SCHEDULE OF FINDINGS AND RESPONSES**

For the year ended June 30, 2009

**Internal Control**

2009-1

**Condition:**

Timesheets for the payroll periods during January 2008 through June 2008 were not available for our testing.

**Criteria:**

All timesheets should be prepared by each employee and reviewed and approved by management. Timesheets noted above were not available to support payroll hours and management approval.

**Effect:**

Not all payroll checks had supporting timesheets to validate corresponding payroll check.

**Recommendation:**

We recommend that the District review its file retention and management policies to ensure that controls are adequate.

**Audited Agency's Response:**

We concur with the recommendation and the timesheets will be kept in storage after general manager review and approval.

**Compliance**

2009-2

**Condition:**

District did not maintain rates established at a sufficient level to enable a bond coverage ratio of 115% for revenue bonds. The June 30, 2009 revenue bond coverage ratio is 109%.

**Criteria:**

Revenue bond covenants require a minim coverage ratio of 115% of amount required to pay the highest succeeding fiscal year debt service (principal and interest) on all revenue bonds outstanding after payment of operations.

**Effect:**

Coverage ratio is less than mandated by bond covenants.

**Recommendation:**

We recommend that the District maintain rates established at a level sufficient to provide a minimum coverage ratio of 115%.

**Audited Agency's Response:**

We concur with the recommendation. The District has submitted a rate case for a new tariff rate in order to meet future debt service coverage requirements.

# APPENDIX C

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

[LETTERHEAD OF SPILMAN THOMAS & BATTLE, PLLC]  
(Form of Approving Opinion of Bond Counsel)

June 24, 2010

\$ \_\_\_\_\_  
Jefferson County Public Service District (West Virginia)  
Sewer Refunding Revenue Bonds, 2010 Series A

Jefferson County Public Service District  
Ranson, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Jefferson County Public Service District (West Virginia) (the "Issuer") of its \$ \_\_\_\_\_ in aggregate principal amount of Sewer Refunding Revenue Bonds, 2010 Series A (the "Bonds"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion. We have also examined an unauthenticated specimen Bond. Capitalized terms used but not defined in this opinion shall have the meanings assigned to them under the Resolution (as hereinafter defined).

The Issuer, a public service district and public corporation under and pursuant to the laws of the State of West Virginia (the "State"), is empowered and authorized to issue bonds pursuant to Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act") and a Bond Resolution duly adopted by the Issuer on April 6, 2010 (the "Resolution"). Proceeds of the Bonds will be used for the purpose of paying a portion of the costs necessary to (i) currently refund the Issuer's outstanding Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 of which \$1,885,000 of principal is presently outstanding (the "Series 1998 A Bonds"); (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance of the Bonds and related costs.

The Bonds will mature on such dates in each of the years, in the respective principal amounts, and bear interest from their date at the respective rates per annum, as set forth or provided in a Certificate of Determination, dated as of June \_\_\_\_, 2010, executed by an authorized officer of the Issuer, all as provided under the Resolution. The provisions for redemption of the Bonds are provided in the Certificate of Determination.



Jefferson County Public Service District  
Crews & Associates, Inc.  
June 24, 2010  
Page 2

The Issuer has also entered into a Tax Compliance Certificate, dated as of June 24, 2010 (the "Tax Certificate").

Reference is made to the opinion of James V. Kelsh, Esquire, as counsel to the Issuer, dated of even date herewith, with respect to (i) the power and authority of the Issuer to enter into the Bond Purchase Agreement dated June \_\_\_\_\_, 2010, by and between Crews & Associates, Inc. and the Issuer (the "Purchase Agreement"), the Escrow Agreement dated June 24, 2010, by and between the Issuer and the West Virginia Municipal Bond Commission (the "Escrow Agreement") and the Continuing Disclosure Agreement dated June 24, 2010, by and between the Issuer and The Bank of New York Mellon, as dissemination agent (the "Continuing Disclosure Agreement" and together with the Purchase Agreement and the Escrow Agreement, collectively, the "Bond Documents"), (ii) the due authorization, execution and delivery by the Issuer of the Bond Documents, and (iii) the binding effect and enforceability of the Bond Documents upon the Issuer. No opinion as to such matters is expressed herein.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the Issuer with respect to certain facts relevant to both our opinion and the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Issuer has covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds, and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents providing for the issuance of the Bonds (the "Covenants").

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly created and validly existing public service district and public corporation under and pursuant to the laws of the State, with power to adopt the Resolution, to execute and deliver the Tax Certificate and to perform the agreements on its part contained therein and to issue the Bonds.
2. The Resolution has been duly adopted by the Issuer, is in full force and effect as of the date hereof, and is valid and binding upon the Issuer and enforceable against the Issuer in accordance with its terms.
3. The Tax Certificate has been duly authorized, executed and delivered by the Issuer and constitutes the valid and binding agreement of the Issuer, enforceable in accordance with the terms thereof.

Jefferson County Public Service District

Crews & Associates, Inc.

June 24, 2010

Page 3

4. The Resolution creates the valid pledge which it purports to create of the Net Revenues of the System (as defined in the Resolution), on a parity with the Issuer's Prior Bonds, and other funds and accounts pledged under the Resolution, subject to the terms thereof.

5. The Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, are valid and binding special, limited obligations of the Issuer, payable solely from the sources provided therefor in the Resolution.

6. Under current law, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For purposes of computing the alternative minimum tax on corporations (as defined for federal tax purposes), such interest is taken into account in determining adjusted net book income. The preceding opinion is subject to the condition that all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be, or continue to be, excludable from gross income for federal income tax purposes are so satisfied, and therefore failure by the Issuer to comply with the Covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. We express no opinion regarding any other tax consequences of the ownership of or receipt or accrual of interest on the Bonds. Furthermore, we express no opinion as to the effect on the excludability of the interest on the Bonds from gross income of (a) any event for which the Resolution requires the obtaining of an opinion of Bond Counsel, as defined in the Resolution or (b) any amendment of the Resolution or waiver of the terms thereof.

7. Under the Act, the Bonds and the interest thereon are exempt from all taxation by the State of West Virginia and the other taxing bodies of the State.

8. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and has covenanted that it does not reasonably expect to issue more than \$30,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligations) during the calendar year 2010. Therefore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

9. The Series 1998 A Bonds have been paid within the meaning and with the effect expressed in the 1998 Resolution, and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 1998 A Bonds have been satisfied and

Jefferson County Public Service District  
Crews & Associates, Inc.  
June 24, 2010  
Page 4

discharged. In rendering the opinion set forth in this paragraph, we have relied upon the opinion of certain independent certified public accountants relating to the sufficiency of the moneys on deposit in the Escrow Fund to provide for the payment of the Redemption Price of the Bonds on the Redemption Date.

The rights of the holders of the Bonds and the enforceability of the Bonds, the Resolution, the Tax Certificate and the liens and pledges set forth therein may be subject to and limited by bankruptcy laws and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable and that the enforcement thereof may also be subject to general principles of equity and to the exercise of judicial discretion.

Our services as bond counsel to the Issuer has been limited to rendering the foregoing opinion based upon our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest thereon.

This opinion is rendered as of the date hereof. We are under no obligation to, nor will we, update or revise this opinion due to events occurring after the date hereof which change the facts or law upon which this opinion is based.

This opinion is rendered to the addressees set forth above solely for their use in connection with the transactions contemplated under the Resolution, is solely for the benefit of those addressees, and their respective successors and assigns; and, except where we have given our prior written consent, may not be relied upon by anyone else or used for any purpose other than in connection with the consummation of the transactions contemplated in the Resolution.

Very truly yours,

Spilman Thomas & Battle, PLLC

# APPENDIX D

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA)

RESOLUTION OF THE JEFFERSON COUNTY PUBLIC SERVICE DISTRICT AUTHORIZING THE ISSUANCE OF THE SEWER REFUNDING REVENUE BONDS, 2010 SERIES A IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$1,975,000, FOR THE PURPOSES OF CURRENTLY REFUNDING, TOGETHER WITH OTHER FUNDS OF THE DISTRICT, THE SEWER REFUNDING REVENUE BONDS, SERIES 1998A AND PAYING THE COSTS OF ISSUANCE THEREOF; AUTHORIZING THE REFUNDING OF SUCH BONDS; PROVIDING AS TO THE TERMS AND PROVISIONS OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS; DESIGNATING A TRUSTEE AND PAYING AGENT; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS WITH RESPECT THERETO.

WHEREAS, Jefferson County Public Service District (the "Issuer") presently owns and operates a public sewerage system (the "System") and has heretofore financed, in part, the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of the Prior Bonds (as hereinafter defined), including its Sewer Refunding Revenue Bonds, Series 1998A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 (the "Bonds to be Refunded");

WHEREAS, under the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and empowered to issue refunding revenue bonds for the purpose of retiring or refinancing all or any apart of the outstanding Bonds to be Refunded;

WHEREAS, the Issuer is advised that present value debt service savings will be realized as a result of the refunding of the Bonds to be Refunded;

WHEREAS, the Issuer has determined and hereby determines that it would therefore be to the benefit of the Issuer and its customers to refund the Bonds to be Refunded and to redeem the Bonds to be Refunded on the Redemption Date (hereinafter defined), in the manner set forth herein with proceeds of a series of bonds to be designated "Sewer Refunding Revenue Bonds, 2010 Series A" (the "2010 Bonds"), in the maximum aggregate principal amount of not more than \$1,975,000, together with other moneys of the Issuer;

WHEREAS, the Bonds to be Refunded were issued pursuant to a resolution of the Issuer duly adopted on February 26, 1998, as supplemented by a resolution of the Issuer duly adopted on February 26, 1998 (collectively, the "1998 Resolution");

WHEREAS, the Issuer now desires to authorize the refunding of the Bonds to be Refunded as aforesaid, and to provide for the financing thereof by the issuance of the 2010 Series A Bonds as hereinafter provided;

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF JEFFERSON COUNTY  
PUBLIC SERVICE DISTRICT:

## ARTICLE I

### DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

Section 1.01. Definitions. All capitalized terms used in this Resolution and not otherwise defined in the recitals or in the text hereof shall have the meanings specified below, unless the context expressly requires otherwise:

"2010 Series A Bonds" or "Bonds" means the Sewer Refunding Revenue Bonds, 2010 Series A of the Issuer, originally authorized to be issued pursuant to this Resolution.

"2010 Series A Bonds Redemption Account" means the 2010 Series A Bonds Redemption Account created by Section 4.02 hereof.

"2010 Series A Bonds Reserve Account" means the 2010 Series A Bonds Reserve Account created by Section 4.02 hereof.

"2010 Series A Bonds Reserve Requirement" means, as of any date of calculation, the lesser of (i) 10% of the original stated principal amount of the 2010 Series A Bonds; (ii) the maximum amount of principal and interest which will become due on the 2010 Series A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the 2010 Series A Bonds.

"2010 Series A Bonds Sinking Fund" means the 2010 Series A Bonds Sinking Fund created by Section 4.02 hereof.

"Act" means Chapter 16, Article 13A of the West Virginia Code of 1931, as amended and in effect on the date of delivery of the 2010 Series A Bonds.

"Authority" means the West Virginia Water Development Authority.

"Authority Bonds" means, collectively, the bonds which the Authority, or its successor, is the original purchaser of, being the Series 1993 A Bonds, the Series 1998 B Bonds, the Series 1998 C Bonds, the Series 1999 A Bonds, the Series 2000 A Bonds and the Series 2008 A Bonds.

"Authorized Denominations" means denominations of \$5,000 and any integral multiple thereof.

"Authorized Newspaper" means a financial journal or newspaper of general circulation in the City of New York, New York, printed in the English language and customarily published on each business day of the Registrar, whether or not published on Saturdays, Sundays or legal holidays, and so long as so published, shall include The Bond Buyer and Redemption Digest.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any Acting Chairman duly selected by the Governing Body.



"Beneficial Owner" means the purchaser of a beneficial interest in the Bonds when the Bonds are held by the Securities Depository in the Book-Entry System, and otherwise means a Bondholder.

"Bond Commission" means the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia which succeeds to the functions of the Bond Commission.

"Bond Counsel" shall mean any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal Bonds, appointed by the Issuer, and shall initially mean Spilman Thomas & Battle, PLLC, Charleston, West Virginia.

"Bondholder," "Holder of the Bonds," "Owner of the Bonds" or any similar term means any person who shall be the registered owner of any outstanding Bond.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Bonds.

"Bond Year" means the 12-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, or such other period as shall be determined by the Issuer, except that the first Bond Year shall begin on the Closing Date.

"Bonds" means, collectively, the 2010 Series A Bonds and the Prior Bonds, and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

"Bonds to be Refunded" means the Issuer's Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000.

"Book-Entry System" means the system maintained by the Securities Depository described in Section 3.11.

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations or West Virginia banking corporations are authorized by law to remain closed.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the 2010 Series A Bonds, in substantially the form set forth in Exhibit A - BOND FORM hereto.

"Certificate of Determination" means the Certificate setting forth the final terms of the 2010 Series A Bonds as more fully described in Section 2.03 hereof.

"Chairman" means the Chairman of the Governing Body of the Issuer.

"Closing Date" means the date upon which there is an exchange of the 2010 Series A Bonds for the proceeds representing the original purchase price thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

"Continuing Disclosure Agreement" means any continuing disclosure agreement between the Issuer and Digital Assurance Certification, L.L.C. or other entity serving as disclosure agent, with respect to the Bonds, as amended or supplemented that is required by, and complies with, the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission.

"Costs" or "Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Issuer and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Paying Agent, Registrar and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

"Costs of Issuance Fund" means the Costs of Issuance Fund created by Section 4.01 hereof.

"Depository Bank" means the bank appointed and approved to serve as depository bank and eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC in the Certificate of Determination.

"DTC" means the Depository Trust and Clearing Company, New York, New York, or its successor thereof.

"DTC-eligible" means, with respect to the 2010 Series A Bonds, meeting the qualification prescribed by DTC.

"Electronic Means" means telecopy, telegraph, telex, facsimile transmission, email transmission or other similar electronic means of communication, including a telephonic communication confirm by writing or written transmission.

"Escrow Agent" means the Bond Commission, hereby appointed and approved to serve as the Escrow Agent under the Escrow Agreement.

"Escrow Agreement" means the Escrow Agreement to be entered into between the Issuer and the Escrow Agent, providing for the defeasance and ultimate payment of the Bonds to be Refunded, the deposit therein of proceeds of the 2010 Series A Bonds, the disposition of moneys in the various funds and accounts of the Bonds to be Refunded under the 1998 Resolution and other matters in connection wherewith, and substantially in the form attached hereto as Exhibit C.

"Escrow Deposit Fund" means the escrow deposit trust fund established pursuant to the Escrow Agreement.

"Event of Default" means any occurrence or event specified in Section 7.01.

"FDIC" means the Federal Deposit Insurance Corporation or any successor to the functions of the FDIC.

"Fiscal Year" means each 12-month period beginning on July 1 and ending on the succeeding June 30.

"Governing Body" or "Board" means the public service board of the Issuer, as it may now or hereafter be constituted.

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles in effect at the time of such calculation, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined), or any Tap Fees, as hereinafter defined.

"Independent Accountants" means any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any purpose except keeping the accounts for the System in the normal operation of its business and affairs.

"Issuer" means Jefferson County Public Service District, a public service district and public corporation and political subdivision of the State of West Virginia, in Jefferson County of said State, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Interest Payment Date" means the interest payment dates designated in the Certificate of Determination.

"Maturity Date" means the maturity date designated in the Certificate of Determination.

"Net Proceeds" means the face amount of the 2010 Series A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the 2010 Series A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the 2010 Series A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means the balance of the Gross Revenues, remaining after deduction of Operating Expenses, as hereinafter defined.

"Nonpurpose Investment" means any investment property which is acquired with the gross proceeds of the 2010 Series A Bonds and is not acquired in order to carry out the governmental purpose of the 2010 Series A Bonds.

"Notes" means the Refunding Sewerage System Bond Anticipation Notes, Series 2010 issued in an aggregate principal amount of \$750,000 as set forth in Section 1.03(C).

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as herein defined), other than those capitalized as part of the costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles in effect as of the date of calculation; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Original Purchaser" means Crews & Associates, Inc., as the purchasers of the 2010 Series A Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the 2010 Series A Bonds with interest rates and other terms allowable under the Act, such other person or persons, firm or firms, bank or banks, corporation or corporations or such other entity or entities as shall purchase the 2010 Series A Bonds directly from the Issuer; provided, that the Original Purchaser and the Issuer shall agree to the purchase of the Bonds, including the exact principal amount thereof and interest rate or rates thereon, all as determined by the Certificate of Determination.

"Outstanding," when used with reference to the 2010 Series A Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond canceled by the registrar for such Bond at or prior to said date; (b) any Bond for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Resolution and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01; and (d) with respect to determining the number or percentage of Bondholders or Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer.

"Participant" means one of the entities which deposit securities, directly or indirectly, in the Book-Entry System.

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 6.07 hereof.

"Paying Agent" means the Bond Commission, and any successor thereto appointed in accordance with Section 8.12 hereof.

"Principal Payment Date" means, with respect to a Bond, the date on which principal of such Bond becomes due and payable, either by maturity, redemption, acceleration or otherwise.

"Prior Bonds" means, collectively, the Series 1988B Bonds, the Series 1993A Bonds, the Series 1998B Bonds, the Series 1998C Bonds, the Series 1999A Bonds, the Series 2000A Bonds and the Series 2008A Bonds of the Issuer as more fully described in preambles hereto.

"Prior Resolution" means, collectively, the resolutions of the Issuer, as supplemented, authorizing the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements" if any.

"Purchase Price," for the purpose of computation of the Yield of the 2010 Series A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the 2010 Series A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the 2010 Series A Bonds of each maturity is sold or, if the 2010 Series A Bonds are privately placed, the price paid by the first buyer of the 2010 Series A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of used of Gross Proceeds of the 2010 Series A Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the 2010 Series A Bonds.

"Qualified Investments" means investments in any of the following:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation);
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S.;
- (3) Obligations of Government – Sponsored Agencies that are not backed by the full faith and credit of the U.S. Government and which are rated "Aaa by Moody's and "AAA" by S&P or any successor thereto;
- (4) Interest bearing accounts, demand deposits, including interest bearing money market accounts, time deposits, trust deposits, overnight bank deposits or certificates of deposit which are fully secured by obligations of the type described in clause(2) or (3) above

or which are issued by banks or trust companies, including, but not limited to the Trustee and any of its affiliates, organized under the laws of the United States of America or any state thereof, which have combined capital and surplus of at least \$25,000,000;

(5) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(6) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(7) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(8) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the Maturity Date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the Maturity Date or dates specified in the irrevocable instructions referred to above, as appropriate.

(9) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P; and

(10) Investment Agreements (including repurchase agreements) provided by an institution with a rating of at least "A2/A," without regard to qualifier, numerical or otherwise, by Moody's and S&P.

"Rebate Fund" means the fund by that name established pursuant to Section 4.01 hereof.

"Record Date" means the day of the month which shall be so stated in the 2010 Series A Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Redemption Date" means the date fixed for redemption of the Bonds to be Refunded or any other Bonds of the Issuer called for redemption.

"Redemption Price" means the price at which the Bonds to be Refunded or any other Bonds of the Issuer may be called for redemption and includes the principal of and interest on such Bonds to be redeemed, plus the interest and premium, if any, required to be paid to effect such redemption.

"Registrar" means the bank appointed and approved as the Registrar for the 2010 Series A Bonds in the Certificate of Determination, and any successor thereto and appointed in accordance with Section 8.08 hereof.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund created by the 1998 Resolution and continued hereby.

"Resolution" means this Resolution and all orders and resolutions supplemental hereto or amendatory hereof.

"Revenue Fund" means the Revenue Fund created by the 1998 Resolution and continued hereby.

"Secretary" means the Secretary of the Governing Body of the Issuer.

"Securities Depository" means DTC or its nominee, and its successors and assigns, or any successor appointed under Section 3.11.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution that is amendatory and supplemental hereto.

"Surplus Revenues" means the Net Revenues not required by this Resolution to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund and any reserve accounts.

"System" means the complete properties of the Issuer for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, as presently existing in its entirety or any integral part thereof, and shall include any additions, improvements and extensions thereto hereafter constructed or acquired for the System from any sources whatsoever.

"Tap Fees" means the fees, if any, paid by prospective customers of the System in order to connect thereto.

"Tax Certificate" means the Tax Compliance Certificate of the Issuer, dated the Closing Date and included in the transcript of which this Resolution is a part.

"Term Bonds" means Bonds subject to mandatory sinking fund redemption, as described by Section 3.06 hereof.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa; and any requirement for execution or attestation of the Bond or any certificate or other document by the Chairman or the Secretary shall mean that such Bond, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

Additional terms and phrases are defined in this Resolution as they are used Accounting terms not specifically defined herein shall be given meaning in accordance with generally accepted accounting principles in effect as of the date of this Resolution.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

Section 1.02. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. The Governing Body hereby finds and determines as follows:

A. The Issuer is a public service district and public corporation and political subdivision of the State of West Virginia, in Jefferson County of said State.

B. The Issuer now owns and operates the System, the acquisition and construction of which has been financed, in part, by the proceeds of the Outstanding Bonds.

C. The Issuer currently has outstanding its (i) Sewer Revenue Bonds, Series 1988B, dated May 5, 1988, issued in the original aggregate principal amount of \$425,767 (the "Series 1988B Bonds"), (ii) Sewer Revenue Bonds, Series 1993A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of \$971,000 (the "Series 1993A Bonds"), (iii) Sewer Revenue Bonds, Series 1998B (West Virginia SRF Program), dated June 25, 1998, issued in the original aggregate principal amount of \$599,089 (the "Series 1998B Bonds"), (iv) Sewer Revenue Bonds, Series 1998C (West Virginia Infrastructure Fund), dated June 25, 1998, issued in the original aggregate principal amount of \$662,039 (the "Series 1998C Bonds"), (v) Sewer Revenue Bonds, Series 1999A (West Virginia SRF Program), dated December



8, 1999, issued in the original aggregate principal amount of \$378,363 (the "Series 1999A Bonds"), (vi) Sewer Revenue Bonds, Series 2000A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of \$1,154,889 (the "Series 2000A Bonds"), and (vii) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated June 18, 2008, issued in the original aggregate principal amount of \$2,005,000 (the "Series 2008A Bonds," and collectively with the Series 1988B Bonds, the Series 1993A Bonds, the Series 1998B Bonds, the Series 1998C Bonds, the Series 1999A Bonds, the Series 2000A Bonds and the Series 2008 A Bonds, the "Prior Bonds"). The Prior Bonds are payable from and secured by Net Revenues of the System.

The Issuer also has outstanding its Refunding Sewerage System Bond Anticipation Notes, Series 2010, dated January 6, 2010, issued in the aggregate principal amount of \$750,000. The Notes are payable only from and secured by a first lien on (i) the proceeds of revenue bonds or other obligations of the Issuer to be issued subsequent to the issuance of the Notes to permanently finance the costs of the Project; (ii) the proceeds of any grants received by the Issuer for the Project, and (iii) the Surplus Revenues, if any, of the System. The Notes are subordinate in all respects to the Prior Bonds.

D. The Issuer derives revenues from the System which are pledged for payment of the Prior Bonds and the Notes. Except for such pledge thereof, said revenues are not pledged or encumbered in any manner.

E. The Issuer intends to refund the Bonds to be Refunded in their entirety with proceeds of the 2010 Series A Bonds and other funds for the Issuer, to issue the 2010 Series A Bonds and to pledge the Net Revenues of the System for payment thereof on a parity with the Prior Bonds and senior and prior to the Notes.

F. The 2010 Series A Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for issuance of parity bonds set forth in the Prior Resolutions and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature. Prior to the issuance of the 2010 Series A Bonds, the Issuer will obtain the written consent of the Authority to the issuance of the 2010 Series A Bonds on a parity with the Authority Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the system. The Notes are secured, in part, by the Surplus Revenues, if any, of the System.

G. The estimated revenues to be derived in each year from the operation of the System after the refunding and defeasance of the Bonds to be Refunded will be sufficient to pay all Operating Expenses of the System and the principal of and interest on the Prior Bonds and the 2010 Series A Bonds and to make all other payments provided for in this Resolution.

H. Based upon the assumed principal amount, maturity schedule and interest rates for the 2010 Series A Bonds presented to the Issuer by the Original Purchaser, and after making allowance for the use of cash on hand of the Issuer, the 2010 Series A Bonds show a net present

value debt service savings to the Issuer after deducting all expenses of the refunding and the costs of issuing the 2010 Series A Bonds.

I. The Issuer shall not sell the 2010 Series A Bonds without having first obtained the prior written consent of the Authority or without approving the actual principal amount, maturity schedule and interest rates for the 2010 Series A Bonds as set forth in the Certificate of Determination, and the Issuer shall not issue the 2010 Series A Bonds without having obtained from an independent certified public accountant or firm of independent certified public accountants, a certification that the amount of savings stated to be achieved by the refunding shall in fact be saved, based upon their review, comparison and analysis of the net interest cost in dollars of the 2010 Series A Bonds and the net interest cost in dollars of the Bonds to be Refunded.

J. Subject to the determination and Certificate of Determination required by paragraph H above, it is in the best interest of the Issuer, and the residents thereof, that the Issuer issue the 2010 Series A Bonds and secure the 2010 Series A Bonds by a pledge and assignment of the Net Revenue derived from the operation of the System, the moneys in the 2010 Series A Bonds Sinking Fund and the 2010 Series A Bonds Reserve Account, unexpended proceeds of the 2010 Series A Bonds and as further set forth herein.

K. The 2010 Series A Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in Exhibit A- BOND FORM attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Resolution or as deemed necessary by the Registrar or the Issuer.

L. All things necessary to make the 2010 Series A Bonds, when authenticated by the Registrar and issued as in this Resolution provided, the valid, binding and legal special obligations of the Issuer according to the import hereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the 2010 Series A Bonds, will be timely done and duly performed.

M. The adoption of this Resolution, and the execution and issuance of the 2010 Series A Bonds, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the 2010 Series A Bonds by those who shall own or hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of such Bondholders of any and all of such 2010 Series A Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

## **ARTICLE II**

### **AUTHORIZATION OF REFUNDING, APPROVAL OF DOCUMENTS AND CERTIFICATE OF DETERMINATION AND AUTHORIZATION OF EXECUTION OF DOCUMENTS**

**Section 2.01. Authorization of Refunding.** All Bonds to be Refunded that are Outstanding as of the date of issuance of the 2010 Series A Bonds are hereby ordered to be refunded pursuant to the terms of the Escrow Agreement, and the pledge of Net Revenues in favor of the Holders of the Bonds to be Refunded imposed by the 1998 Resolution, the moneys in the funds and accounts created by the 1998 Resolution pledged to payment of the Bonds to be Refunded, and any other funds pledged by the 1998 Resolution to payment of the Bonds to be Refunded are hereby ordered terminated, discharged and released upon the payment into the Escrow Deposit Fund from the proceeds of the 2010 Series A Bonds and from other moneys available therefor, of the following: (a) if required by the Escrow Agreement, an amount equal to the fiscal and paying agent charges and the Escrow Agent charges to become due and payable in connection with the Bonds to be Refunded; and (b) an amount which will be simultaneously invested in Government Obligations bearing interest and having maturities sufficient, together with certain cash which may also be deposited, to provide for the payment of the principal of an interest on the Bonds to be Refunded as the same become due, plus the premium, if any, to the first permitted Redemption Date thereof, and on the Redemption Date thereof, and on the Redemption Date to pay the Redemption Price of the Bonds to be Refunded, all set forth in the Escrow Agreement. Contemporaneously with the deposit of the proceeds of the 2010 Series A Bonds and other moneys into the Escrow Deposit Fund, the amounts on deposit in the sinking fund, including the reserve account therein, created and maintained on behalf of the Bonds to be Refunded shall be released from the lien created by the 1998 Resolution and deposited in the Escrow Deposit Fund, the 2010 Series A Bonds Reserve Account or such other fund or account as shall be set forth in the Escrow Agreement and invested as provided therein.

#### **Section 2.02. Details of the 2010 Series A Bonds.**

(a) The 2010 Series A Bonds shall contain a recital that they are issued pursuant to the Act.

(b) The 2010 Series A Bonds shall have the following terms within the following limits, as established in the Certificate of Determination:

(1) The 2010 Series A Bonds will be issued in such series and in such original principal amounts (the "**Original Principal Amounts**") as determined in the Certificate of Determination.

(2) The 2010 Series A Bonds will be dated as determined in the Certificate of Determination. The date of the 2010 Series A Bonds will not be later than April 1, 2011.

(3) The 2010 Series A Bonds will mature over a period of years as determined in the Certificate of Determination, in serial maturities or term maturities. The final maturity date will be not later than October 1, 2028. Term maturities may be subject to mandatory sinking fund redemption as provided in the Certificate of Determination. The maturity schedule in the Certificate of Determination will be based on the recommendation of the Underwriter and the approval of the District through the Certificate of Determination. The first principal payment of the 2010 Series A Bonds, either by serial maturity or mandatory sinking fund redemption will not be later than the date set forth in the Certificate of Determination.

(4) The 2010 Series A Bonds will be fixed rate bonds and the interest rates shall be set forth in the Certificate of Determination.

(5) The interest on the 2010 Series A Bonds will be payable on the Interest Payment Date.

(6) The 2010 Series A Bonds shall be subject to redemption in the manner and under the circumstances set forth in the Certificate of Determination.

Section 2.03. Certificate of Determination for the Issuance of the 2010 Series A Bonds. The Chairman, Secretary and Treasurer of the Board shall each have the power and authority to execute and deliver the Certificate of Determination, in accordance with Section 2.02, which may include, without limitation, provisions (i) fixing the series and Original Principal Amount of the 2010 Series A Bonds to be issued at an aggregate amount not to exceed \$1,975,000, (ii) fixing the maturity or maturities of the 2010 Series A Bonds, including the amounts of serial bonds and term bonds, provided that no such maturity shall be later than October 1, 2028, (iii) fixing the interest rates for the 2010 Series A Bonds, which interest rates shall not in the aggregate exceed seven and ½ percent (7.5%) per annum, (iv) fixing the amounts, times, terms and conditions of mandatory or optional redemption of the 2010 Series A Bonds, (v) fixing the purchase price for the 2010 Series A Bonds, which may include an underwriting discount and an original issue discount or premium, (vi) fixing the date or dates of the 2010 Series A Bonds, (vii) fixing the interest payment dates and the principal payment date, and (viii) designating the Depository Bank, the Registrar and providers of other services which may be deemed by such officer executing the Certificate of Determination as necessary or desirable to support the 2010 Series A Bonds, to the extent applicable.

Section 2.04. Approval of Other Documents. The forms, terms and provisions of the Certificate of Determination, Escrow Agreement, Purchase Contract, and Continuing Disclosure Agreement (collectively, the "Closing Documents"), substantially in the forms attached hereto as Exhibit B, Exhibit C, Exhibit D and Exhibit E presented at this meeting, providing for the issuance of the Bonds for the purposes set forth herein are in all respects approved, the execution of the Closing Documents by the Chairman, Secretary or Treasurer of the Board to be conclusive evidence of such approval.

The Chairman, Secretary and Treasurer of the Board are each authorized and empowered for and on behalf of the Board to execute, acknowledge and deliver each of the Closing Documents, in substantially the form presented at this meeting, with such changes therein as such Chairman, Secretary and Treasurer executing the same may deem necessary or desirable, such officer's

execution of each of the Closing Documents to be conclusive evidence of such officer's approval of such changes. In addition, the Chairman, Secretary and Treasurer of the Board upon consultation with counsel to the Issuer, are each authorized and empowered for and on behalf of the Issuer to execute, acknowledge and deliver such other agreements, documents, certificates or instruments, required to consummate the transactions contemplated by the Closing Documents (the "**Other Transaction Documents**") upon such terms and conditions as such officer shall deem acceptable to the Issuer; and such officer's execution of each of the Other Transaction Documents shall be conclusive evidence of such officer's approval of the terms and conditions thereof. The Secretary is hereby further authorized and empowered to affix the seal of the Issuer and to attest to the same for and on behalf of the Issuer in connection with the execution of any of the Closing Documents or Other Transaction Documents.

The Chairman, Secretary and Treasurer of the Board are each hereby authorized to take any action, execute any document, or give any consent which may from time to time be required by the Issuer under any of the aforesaid documents or this Resolution. Any such action taken or document executed or consent given by such officer in his or her capacity as an officer of the Board shall be deemed to be an act by the Issuer and any such action, execution or consent shall be conclusive evidence that the same is authorized by this Resolution.

As specifically provided in the Act, no recourse shall be had by any person for any claims based on any of the aforesaid documents or any instruments or documents related thereto against any official, member, director, officer or employee of the Issuer alleging personal liability on the part of such person.

Section 2.05. Disclosure Documents. The counsel for the Underwriter shall prepare a disclosure document in the form of a preliminary official statement (the "**Preliminary Official Statement**"), substantially in the form attached hereto as Exhibit F presented at this meeting. The Board authorizes and directs the Chairman of the Board, after consultation with the Issuer's legal counsel, to approve the form and substance of the Preliminary Official Statement. The Board authorizes the Underwriter to use and distribute, or authorize the use and distribution of, that Preliminary Official Statement. The Board authorizes the Chairman, Secretary and Treasurer to prepare or cause to be prepared, and to make or authorize modifications, completions or changes of or supplements to, a final official statement for the Bonds (the "**Final Official Statement**" and, together with the Preliminary Official Statement, the "**Official Statement**") and to use and distribute, or authorize the use and distribution of, the Official Statement and any supplements in connection with the issuance of the Bonds. The Board further authorizes and directs the Chairman, Secretary or Treasurer of the Board to determine, and to certify or otherwise represent, when the Preliminary Official Statement is to be "deemed final" (except for permitted omissions) and when the Final Official Statement is a "final official statement" for purposes of Securities and Exchange Commission Rule 15c2-12 (the "SEC Rule") and to sign the Final Official Statement on behalf of the Issuer, together with certificates, statements or other documents, in connection with the finality, accuracy and completeness of the Official Statement. The signing of the Final Official Statement by the Chairman, Secretary or Treasurer will constitute conclusive evidence of the approval of those changes to the Final Official Statement.

## **ARTICLE III**

### **THE BONDS**

**Section 3.01. Form and Payment of Bonds.** No Bond shall be issued pursuant to this Resolution except as provided in this Article III. Any Bonds issued pursuant to this Resolution after the issuance of the 2010 Series A Bonds, as hereinafter provided, may be issued only as fully registered Bonds without coupons, in the denomination of \$5,000 or any integral multiple thereof for any year of maturity. Bonds shall bear interest from the Interest Payment Date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable Interest Payment Date or on such Interest Payment Date, from such Interest Payment Date or, if no interest on such Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Bonds surrendered.

The principal of and the premium, if any, on the 2010 Series A Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of \$500,000 or more of the Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such Interest Payment Date by such Registered Owner.

In the event any Bond is redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Bond in the principal amount of said Bond then Outstanding.

**Section 3.02. Execution of Bonds.** The 2010 Series A Bonds shall be executed in the name of the Issuer by the Chairman, by his or her manual or facsimile signature, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

**Section 3.03. Authentication and Registration.** No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Exhibit A – BOND FORM attached hereto and incorporated herein by reference with respect to the

2010 Series A Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the 2010 Series A Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform commercial code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the 2010 Series A Bonds remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Bonds. Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Bond, there shall be issued at the option of the Holder or transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a 2010 Series A Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Bonds, the Registrar may impose a service charge. For every such transfer or exchange of bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any 2010 Series A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange an upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, an upon the Holder's furnishing the Issuer and Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellations shall be given to the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by any one, and such duplicated Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the Revenues pledged herein with all other Bonds issued hereunder.

Section 3.06. Term Bonds. In the event Term Bonds are issued pursuant to this Resolution, the following provisions shall apply:

A. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the 2010 Series A Bonds Redemption Account in accordance with Subsection 4.03A(2) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month with is 12 months prior to the first mandatory Redemption Date of said Term Bonds, a sum equal to  $1/12^{\text{th}}$  of the amount required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in Certificate of Determination relating thereto.

B. At its option, to be exercised on or before the 60<sup>th</sup> day next preceding any such mandatory Redemption Date, the Issuer may (a) deliver to the Registrar for cancellation such Term Bonds in any aggregate principal amount desired or (b) receive a credit in respect of its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than pursuant to this section) and canceled by the Registrar and not theretofore applied as a credit against any such mandatory redemption obligation. Each Term Bond so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and Term Bonds delivered in excess of such mandatory redemption obligation shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.



C. The Issuer shall on or before the 60<sup>th</sup> day next preceding each mandatory Redemption Date furnish the Registrar and the Bond Commission with its certificate indicating whether and to what extent the provisions of (a) and (b) of the preceding paragraph are to be utilized with respect to such mandatory redemption payment and stating, in the case of the credit provided for in (b) of the preceding paragraph, that such credit has not theretofore been applied against any mandatory redemption obligation.

D. After said 60<sup>th</sup> day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the moneys in the 2010 Series A Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

E. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the 2010 Series A Bonds Sinking Fund), as will exhaust as nearly as practicable such 2010 Series A Bonds Redemption Account payment designated to be made in accordance with paragraph (A) of this section. Such redemption shall be by random selection made on the 45<sup>th</sup> day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of \$5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the 2010 Series A Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Original Purchaser and the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So Long as DTC (as CEDE & CO.) is the registered Owner of the 2010 Series A Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice. Copies of all redemption notices relating to optional redemption of the 2010 Series A Bonds shall also be sent to registered securities depositories and to *Standard & Poor's Called Bond Record*.

All official notices of redemption shall be dated and shall state:

- (1) The Redemption Date,
- (2) The Redemption Price,

(3) If less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amount) of the Bonds to be redeemed,

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar, and

(6) Such other information, if any as shall be required for DTC-Eligible Bonds.

If funds sufficient to redeem all Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject to the deposit of such money with the Paying Agent on or before the Redemption Date. If such moneys are not so deposited, the Registrar shall notify all holders of Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal of such Bond. All Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Bonds, and the failure to mail or otherwise send such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

Section 3.08. Persons Treated as Owners. The Issuer, the Registrar and any agent of the Issuer or the Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of, and interest on, such Bond and for all other purposes, whether or not such Bond is overdue.

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary

form shall be entitled to the lien and benefit created under this Resolution. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, registers, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

**Section 3.10. Authorization of Bonds.** For the purposes of paying a portion of the costs of refunding all of the Bonds to be Refunded of the Issuer, funding the 2010 Series A Bonds Reserve Account and paying costs in connection therewith, there shall be issued the 2010 Series A Bonds of the Issuer, in an aggregate principal amount of not more than \$1,975,000. The 2010 Series A Bonds shall be designated "Sewer Refunding Revenue Bonds, 2010 Series A" and shall be issued in fully registered form, in Authorized Denominations for any year of maturity, not exceeding the aggregate principal amount of 2010 Series A Bonds maturing in the year of maturity for which the denomination is to be specified. The 2010 Series A Bonds shall be numbered from AR-1 consecutively upward. The 2010 Series A Bonds shall be dated; shall be in such aggregate principal amount; shall bear interest at such rate or rates, not exceeding the then legally permissible rate, payable semiannually on such dates; shall mature on such dates and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein.

**Section 3.11. Book Entry System for Bonds.**

The Bonds shall be initially issued in the name of Cede & Co., as nominee for DTC as the initial Securities Depository and registered owner of such Bonds, and held in the custody of the Securities Depository. A single certificate will be issued and delivered to the Securities Depository, or a custodian thereof, for the Bonds. The Beneficial Owners will not receive physical delivery of Bond certificates except as provided herein. For so long as the Securities Depository shall continue to serve as securities depository for such Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only on the records of the Securities Depository, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of such Bonds is to receive, hold or deliver any Bond certificate. The Issuer and Paying Agent will recognize the Securities Depository or its nominee as the Bondholder of such Bonds for all purposes, including payment, notices and voting.

The Issuer and the Paying Agent covenant and agree, so long as DTC shall continue to serve as Securities Depository for the Bonds, to meet the requirements of DTC with respect to required notices and other provisions of any letter of representations executed with respect to, or any blanket letter of representations applicable to, the Bonds.

The Issuer and the Paying Agent may conclusively rely upon (i) a certificate of the Securities Depository as to the identity of the Participants in the Book-Entry-System and (ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined by a book-entry at the Securities Depository, the requirements in this Resolution of holding,

delivering or transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or registering the transfer of the book-entry to produce the same effect. Any provision hereof permitting or requiring delivery of Bonds shall, while the Bonds are in a Book-Entry System, be satisfied by the notation on the books of the Securities Depository in accordance with applicable law.

The Paying Agent and the Issuer may from time to time appoint a successor Securities Depository and enter into an agreement with such successor Securities Depository to establish procedures with respect to the Bonds consistent with current industry practice. Any successor Securities Depository shall be a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended.

The Issuer nor the Paying Agent will have any responsibility or obligation to any Securities Depository, any Participants in the Book-Entry System or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the Securities Depository or any Participant; (ii) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or Purchase Price of, or interest on, any Bonds; (iii) the delivery of any notice by the Securities Depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (v) any other action taken by the Securities Depository or any Participant.

Bond certificates are required to be delivered to and registered in the name of the Beneficial Owner if the Securities Depository determines to discontinue providing its service with respect to the Bonds and no successor Securities Depository is appointed as described above. Such a determination may be made at any time by giving 30 days' notice to the Issuer, and the Paying Agent and discharging its responsibilities with respect thereto under applicable law.

The Paying Agent is hereby authorized to make such changes to the form of the Bond attached hereto as Exhibit A which are necessary or appropriate to reflect whether the Book-Entry System is not in effect, that a successor Securities Depository has been appointed.

If at any time, the Securities Depository ceases to hold the Bonds, all references herein to the Securities Depository shall be of no further force or effect.

Section 3.12. Delivery of Bonds. The Issuer shall execute and deliver the 2010 Series A Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the 2010 Series A Bonds to the Original Purchaser upon receipt of the documents set forth below:

(A) A list of the names in which the 2010 Series A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(B) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the 2010 Series A Bonds to the Original Purchaser;

- (C) Copy of this Resolution certified by the Secretary;
- (D) Copy of the Certificate of Determination;
- (E) The unqualified approving opinion upon the 2010 Series A Bonds by Bond Counsel;  
and
- (F) A copy of the Escrow Agreement and such other documents, certifications and verifications as the Original Purchaser may reasonably require.

Section 3.13. Form of Bonds. The definitive 2010 Series A Bonds shall be in substantially the form set forth in Exhibit A – BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variation as are approved by those officers executing such 2010 Series A Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval.

Section 3.14. Disposition of Proceeds of Bonds. Upon the issuance and delivery of the 2010 Series A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follow:

A. All interest accrued on the 2010 Series A Bonds from the date thereof to the date of delivery thereof shall be deposited in the 2010 Series A Bonds Sinking Fund and applied to payment of interest on the 2010 Series A Bonds on the first Interest Payment Date.

B. An amount of the proceeds of the 2010 Series A Bonds which together with other moneys or securities deposited therein and the earnings thereon, shall be sufficient to accomplish the refunding and defeasance of the Bonds to be Refunded (which amount shall be set forth in the Escrow Agreement) shall be deposited in the Escrow Deposit Fund.

C. An amount of the proceeds of the 2010 Series A Bonds equal to the 2010 Series A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the 2010 Series A Bonds Reserve Account; provided that, to the extent the 2010 Series A Bonds Reserve Requirement is satisfied in whole or in part from proceeds of any fund or account established for the Bonds to be Refunded pursuant to the 1998 Resolution, proceeds of the 2010 Series A Bonds shall be deposited in the 2010 Series A Bonds Reserve Account only to the extent needed to satisfy the balance of the 2010 Series A Bonds Reserve Requirement.

D. An amount of the proceeds of the 2010 Series A Bonds which shall be sufficient to pay all costs of issuance shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the 2010 Series A Bonds and miscellaneous costs of refunding the Bonds to be Refunded at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys not to be applied immediately to pay such costs of issuance and refunding may be invested in accordance with this Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the 2010 Series A Bonds Redemption Account. All such

proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such money until so applied in favor of the Holders of the 2010 Series A Bonds.

E. The balance of any proceeds of the 2010 Series A Bonds and any moneys in any fund or account established for the Bonds to be Refunded pursuant to the 1998 Resolution, not used for any of the purposes set forth above, shall be deposited in the 2010 Series A Bonds Redemption Fund and applied to redeem the 2010 Series A Bonds on the first redemption date. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such moneys until so applied in favor of the Holders of the 2010 Series A Bonds.

Section 3.15. Designation of Bonds as "Qualified Tax-Exempt Obligations". The Issuer hereby designates the 2010 Series A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and covenants that the 2010 Series A Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and that not more than \$30,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations issued to currently refund any obligations of the Issuer to the extent the amount of the refunding obligation does not exceed the amount of the refunded obligation and private activity bonds, as defined in Section 141 of the Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Code), including the 2010 Series A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2010.

## ARTICLE IV

### FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds or accounts are hereby created with (or continued if previously established), and shall be held by, the Depository Bank, segregated and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

- (1) Revenue Fund (established by the resolution authorizing the Series 1988B Bonds);
- (2) Renewal and Replacement Fund (established by the resolution authorizing the Series 1988B Bonds);
- (3) Costs of Issuance Fund, and
- (4) Rebate Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. Pursuant to this Article IV, the following special funds or accounts are hereby created for the 2010 Series A Bonds (or continued if previously established), and shall be held by, the Bond Commission, separate and apart from all other funds or accounts of the Bond Commission and the Issuer and from each other:

- (1) 2010 Series A Bonds Sinking Fund;
- (2) Within the 2010 Series A Bonds Sinking Fund, the 2010 Series A Bonds Reserve Account; and
- (3) Within the 2010 Series A Bonds Sinking Fund, the 2010 Series A Bonds Redemption Account.

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) The Issuer shall first each month pay from the Revenue Fund the Operating Expenses of the System.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) the amounts required by the Prior Resolutions to pay the interest, if any, on and the principal of the Prior Bonds; (iii) commencing 6 month prior to the first Interest Payment Date on the 2010 Series A Bonds, for deposit in the 2010 Series A Bonds

Sinking Fund, a sum equal to  $1/6^{\text{th}}$  of the amount of interest which will become due on the 2010 Series A Bonds on the next ensuing semiannual Interest Payment Date; provided that, in the event the period to elapse between the date of such initial deposit in the 2010 Series A Bonds Sinking Fund and the next ensuing semiannual Interest Payment Date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual Interest Payment Date, the required amount of interest coming due on such date; and provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the 2010 Series A Bonds Sinking Fund shall be reduced by the amount of accrued interest, if any, on the 2010 Series A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the 2010 Series A Bonds Sinking Fund shall be reduced by the amount of any earning credited to the 2010 Series A Bonds Sinking Fund; and (iv) commencing 12 months prior to the first Principal Payment Date or mandatory Redemption Date of the 2010 Series A Bonds for deposit in the 2010 Series A Bonds Sinking Fund, and in the 2010 Series A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed, a sum equal to  $1/12^{\text{th}}$  of the amount of principal which will mature or be redeemed and become due on the 2010 Series A Bonds on the next ensuing Principal Payment Date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the 2010 Series A Bonds Sinking Fund and the next ensuing annual Principal Payment Date or mandatory Redemption Date is less than or greater than 12 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing annual Principal Payment Date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earning credited to the 2010 Series A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the respective Reserve Accounts for the Prior Bonds, the amounts required by the Prior Resolutions; and (iii) for deposit in the 2010 Series A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the 2010 Series A Bonds Reserve Account below the 2010 Series A Bonds Reserve Requirement or any withdrawal from the 2010 Series A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the 2010 Series A Bonds Reserve Account results in a determination that the amount of moneys and the value of the Qualified Investments deposited to the credit of the 2010 Series A Bonds Reserve Requirement is less than the 2010 Series A Bonds Reserve Requirement, or (b) any amount is withdrawn from the 2010 Series A Bonds Reserve Account for deposit into the 2010 Series A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefore, the amount so deposited shall be used to restore the amount on deposit in the 2010 Series A Bonds Reserve Account to an amount equal to the 2010 Series A



Bonds Reserve Requirement to the full extent that such Net Revenues are available; provided, that no payments shall be required to be made into the 2010 Series A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the 2010 Series A Bonds Reserve Requirement.

(4) The Issuer shall next from the moneys remaining in the Revenue Fund (as previously set forth in the 1998 Resolution and not in addition thereto), on the first day of each month, transfer to the Renewal and Replacement Fund, a sum equal to 2 ½% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in Qualified Investments. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required) shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the 2010 Series A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the 2010 Series A Bonds as the same shall become due, whether by maturity or redemption prior to maturity. Amounts in the 2010 Series A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the 2010 Series A Bonds when due, when amounts in the 2010 Series A Bonds Sinking Fund are insufficient therefor and for no other purpose.

The Issuer shall not be required to make any further payments into the 2010 Series A Bonds Sinking Fund or the 2010 Series A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of 2010 Series A Bonds issued pursuant to this Resolution then Outstanding, plus the amount of interest due or thereafter to become due on the 2010 Series A Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the 2010 Series A Bonds are issued, provision shall be made for additional payments into the respective sinking fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at or before maturity and to accumulate a balance in the respective reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of such additional parity Bonds.

The payments into the 2010 Series A Bonds Sinking Fund shall be made on the first day of each month, except that, when the first day of any month shall be a Saturday, Sunday or legal holiday, then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Bond Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution.

The Issuer shall restore any withdrawals from the 2010 Series A Bonds Reserve Account which have the effect of reducing the assets therein below the 2010 Series A Bonds Reserve Requirement from the Net Revenues available after all required payment have been made in full in the order set forth above.

Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds and the 2010 Series A Bonds, in accordance with the respective principal amounts then Outstanding.

The Bond Commission is hereby designated as the fiscal agent for the administration of the 2010 Series A Bonds Sinking Fund and the 2010 Series A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

C. The Issuer shall remit from the Revenue Fund to the Bond Commission the Registrar, the Paying Agent or the Depository Bank, on such dates as the Bond Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay any charges and fees then due.

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund and the Renewal and Replacement Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

E. If on any monthly payment date the Net Revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 4.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

F. All remittances made by the Issuer to the Bond Commission shall clearly identify the fund or account into which each amount is to be deposited.

G. The Gross Revenues of the System shall only be used for purposes of the System.

## ARTICLE V

### INVESTMENTS; NON-ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS

Section 5.01. Investments. The Issuer shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any moneys held as a part of the funds and accounts created by this Resolution in Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The Issuer shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Issuer may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under this section:

(A) Qualified Investments acquired for the 2010 Series A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to semiannually transfer from the 2010 Series A Bonds Reserve Account to the 2010 Series A Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the requirement therefore; provided, however, that there shall at all times remain on deposit in the Series A Bonds Reserve Account an amount at least equal to the Series A Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the 2010 Series A Bonds Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the 2010 Series A Bonds Reserve Account shall, at any time, be less than the applicable requirement therefore and such deficiency shall be made up from the first available Net Revenues in the order set forth in Section 4.03 hereof.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the 2010 Series A Bonds and invested

only in Government Obligations maturing at such times and in such amounts as are necessary to match the interested payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the 2010 Series A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia State Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended.

Section 5.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the 2010 Series A Bonds in such manner and to such extent as may be necessary, so that the 2010 Series A Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the 2010 Series A Bonds) so that the interest on the 2010 Series A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.03. Tax Certificate and Rebate. A. The Issuer shall deliver a certificate of arbitrage, a Tax Certificate or other similar relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the 2010 Series A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the 2010 Series A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

B. The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with section 148(f) of the code. Upon completion of each such annual calculation, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be from time to time in effect, with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by The Issuer to the United States, on a timely basis, from any funds lawfully available therefore. The Issuer at its expense, may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the

Issuer may deem appropriate in order to assure compliance with this Section 5.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and the required amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the 2010 Series A Bonds from gross income for federal income tax purposes.

## ARTICLE VI

### ADDITIONAL REPRESENTATIONS AND COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the 2010 Series A Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Holders of the 2010 Series A Bonds, as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the 2010 Series A Bonds, or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The 2010 Series A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Net Revenues of the System, the moneys in the 2010 Series A Bonds Sinking Fund and the 2010 Series A Bonds Reserve Account therein, and the unexpended proceeds of the 2010 Series A Bonds, all as herein provided. No Holder or Holders of the 2010 Series A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the 2010 Series A Bonds or the interest thereon.

Section 6.03. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the 2010 Series A Bonds and all other obligations secured by a lien on or payable from such revenues prior to on a parity with the 2010 Series A Bonds including the Prior Bonds.

Section 6.04. Operation and Maintenance. The Issuer will operate and maintain the system as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

Section 6.05. Sale of System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the system, or any part thereof, except as provided in the Prior Resolutions authorizing the Prior Bonds. Additionally, so long as the 2010 Series A

Bonds are outstanding and except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Resolution in accordance with Article IX hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the 2010 Series A bonds, immediately be remitted to the Bond Commission for deposit in the 2010 Series A Bonds Sinking Fund, and the Issuer shall direct the Bond Commission to apply such proceeds to the payment of principal of and interest on the 2010 Series A Bonds. Any balance remaining after the payment of the 2010 Series A Bonds and interest thereon shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefore, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000 the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof any may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of \$10,000 and not in excess of \$50,000, shall with the written consent of the Authority, be remitted by the Issuer to the Bond Commission for deposit in the Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as otherwise provided in Section 6.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank

prior to, or equally, as to lien on and source of and security for payment from such revenues with the 2010 Series A Bonds. All obligations issued by the Issuer after the issuance of the 2010 Series A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the 2010 Series A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the 2010 Series A Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the 2010 Series A Bonds and the interest thereon, if any, in this Resolution, or upon the System or any part thereof.

Section 6.07. Additional Parity Bonds and Subordinate Debt. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions authorizing the Prior Bonds shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the 2010 Series A Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided (unless less restrictive than the provisions of the resolutions authorizing the Prior Bonds).

All Parity Bonds issued hereunder shall be on a parity in all respects with the 2010 Series A Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions and improvements to the System or refunding any series of Bonds, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

- (1) The Bonds then Outstanding:
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.



The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates adopted by the Issuer and approved by the Public Service Commission of West Virginia, the period for appeal of which has expired prior to the date of issuance of such additional parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate construction or acquisition of such extensions or improvements, if any, to the System that are to be financed by such Parity Bonds.

All covenants and other provisions of this Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Resolution required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the 2010 Series A Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the 2010 Series A Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Resolution with respect to the Bonds then Outstanding, and any other payments provided for in this Resolution, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Resolution.

Any certifications requiring computations establishing that debt service coverage is sufficient to support the issuance of parity Additional Bonds or that requisite debt service savings are available shall be made by an independent certified public accountant or firm of independent certified public accountants.

No additional bonds, notes, certificates, contracts or any other obligations shall be issued by the Issuer unless no Event of Default shall have occurred and be continuing with respect to the Bonds.

Any debt of the Issuer which is subordinate to the lien of the Bondholders on the Net Revenues, shall provide that such debt may not be accelerated, except in instances when no indebtedness of the Issuer under this Resolution (herein called "Superior Indebtedness") is outstanding. The indebtedness evidenced by the subordinated debt and any renewals or extensions thereof, shall at all times be wholly subordinate and junior in right of payments to any Superior Indebtedness, in the manner and with the force and effect hereafter set forth:

(1) In the event of any liquidation, dissolution or winding up of the Issuer, or of any execution, sale, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization, or other similar proceeding relative to the Issuer or its property, all principal and interest owing on all Superior Indebtedness shall first be paid in full before any payment is made upon the indebtedness evidenced by the subordinated debt, provided, however, that, except for the Net Revenues, this sentence shall not apply to payments made on such subordinated indebtedness from the proceeds of collateral specifically securing such subordinated debt, and in any such event and any payment or distribution of any kind or character from sources other than the proceeds of collateral specifically securing the subordinated debt, except for the Net Revenues, whether in cash, property or securities (other than in securities, including equity securities, or other evidences of indebtedness, the payment of which is subordinated to the payment of all Superior Indebtedness which may at the time be outstanding) which shall be made upon or in respect of the subordinated debt shall be paid over to the holders of such Superior Indebtedness, pro rata, for application in payment thereof unless and until such Superior Indebtedness shall have been paid or satisfied in full.

(2) In the event that the subordinated debt is declared or become due and payable because of the occurrence of any event of default or otherwise that at the option of the Issuer, under circumstances when the foregoing clause (1) shall not be applicable, the holders of the subordinated debt shall be entitled to payments only after there shall first have been paid in full all Superior Indebtedness outstanding at the time the subordinated debt so become due and payable because of any such event, or payment shall have been provided for in a manner satisfactory to the holders of such Superior Indebtedness, provided, however that, except for the Net Revenues, this sentence shall not apply to payments made on such subordinated indebtedness from the proceeds of collateral specifically and solely securing such subordinated debt.

Section 6.09. Insurance and Bonds. So long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance, bonds and worker's compensation coverage with a reputable insurance carrier or carriers or bonding company or companies covering the following risks and in the following amounts.

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the

repairs and restoration of the damaged and destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the Issuer from claims for body injury and/or death and not less than \$500,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

C. WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Issuer and such payment bonds will be filed with the Clerk of the County Commission of the County in which such work is to be performed prior to commencement of construction of any additions, extensions or improvements for the System in compliance with West Virginia Code Section 38-2-39.

D. FLOOD INSURANCE, if the facilities of the System are or will be located in designated special flood or mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

E. BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

F. FIDELITY BONDS will be provided as to every officer, member and employee of the Issuer or the Governing Body having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

Section 6.10. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and, in the event the Issuer or any department, agency, instrumentality, officer or employee thereof shall avail himself or themselves of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.11. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid and to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, all delinquent rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System and any services and facilities of the waterworks system, if so owned by the Issuer, to all delinquent users of services and facilities of the System and will not restore such services of the System (or waterworks system) until all billing for charges for the services and facilities of the System, plus reasonable interest penalty charges for the restoration of service, has been fully paid. If the waterworks system is not owned by the Issuer, the Issuer shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

Section 6.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or any body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles, to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books and along with other bookkeeping records as prescribed by the Issuer. The Issuer shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Issuer shall be reported to such agent of the Issuer as it shall direct.

The Issuer shall file with the Original Purchaser, and shall mail to any Bondholder requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The Issuer shall also file with the Original Purchaser, and mail to any Bondholder requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, and Net Revenues derived from the System.

(B) A statement of account balances in all funds and accounts provided for herein and status of said funds.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Accountants in compliance with OMB Circular 128 or any successor thereto and the Single Audit Act, shall mail upon request, and make available generally, the report of said Independent Accountants, or a summary thereof, to any Holder or Holders of Bonds issued pursuant to this Resolution and shall file said report with the Original Purchaser.

Section 6.14. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date, prepare and adopt by resolution a detailed budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of such a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.15. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Division of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Division of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 6.16. Statutory Mortgage Lien. For the further protection of the Holders of the 2010 Series A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the 2010 Series A Bonds, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 6.17. Continuing Disclosure Agreement. The Issuer shall deliver a continuing disclosure agreement or certificate in form acceptable to the Original Purchaser. The Issuer has covenanted to comply with and carry out all of the provisions of the Continuing Disclosure Agreement with respect to the Bonds that complies with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission (as amended from time to time, the "Rule"), in form and substance satisfactory to the Participating Underwriter (as defined in the Rule). Notwithstanding any other provision of this Resolution, failure of the Issuer to enter into and comply with such Continuing Disclosure Agreement shall not be considered an Event of Default.

## ARTICLE VII

### DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the 2010 Series A Bonds.

(A) If default occurs in the due and punctual payment of the principal of or interest on the 2010 Series A Bonds;

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Resolution or the Certificate of Determination or in the 2010 Series A Bonds contained, and such default shall have continued for a period of 30 days after written notice mailed or by Electronic Means (other than a telephonic communication), specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder;

(C) If the Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America; or

(D) If default occurs with respect to the Prior Bonds or the Prior Resolutions authorizing the Prior Bonds.

The Issuer must cure any covenant default within 30 days after notice of the default, and failure (i) to pay principal of or interest on the Bonds, or (ii) to comply with the Subordinate Debt provisions shall be an immediate event of default.

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular:

(A) Bring suit for any unpaid principal or interest then due;

(B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the Issuer to perform its duties under the Act and this Resolution;

(C) Bring suit upon the Bonds;

(D) By action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; and

(E) By action or bill in equity enjoin any acts in violation of this Resolution or the rights of the Bondholders.

No remedy by the terms of this Resolution conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative

and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute. All rights and remedies of the Holders of the 2010 Series A Bonds shall be on a parity with those of the Holders of the Prior Bonds and senior and prior to the rights and remedies in favor of the Holders of the Notes.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by the Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03. Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of this Resolution and the Act.

The receiver so appointed shall forthwith, directly or by his agents and attorneys, enter into and upon and take possession of all facilities of the System and shall hold, operate, maintain, and manage and control such facilities, and each and every part thereof, and in the name of the Issuer exercise all the rights and powers of the Issuer with respect to said facilities as the Issuer itself might do.

Whenever all that is due upon the Bonds issued pursuant to this Resolution and interest thereon and under any covenants of this Resolution for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Resolution shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.



Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Holders of the Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Bondholders, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Section 7.04. Restoration of Issuer and Bondholder. In case any Bondholder shall have proceeded to enforce any right under this Resolution by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Bondholder shall be restored to their former positions and rights hereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

## **ARTICLE VIII**

### **REGISTRAR AND PAYING AGENT**

**Section 8.01. Agreement with Registrar.** The Issuer is hereby authorized and directed to enter into an agreement with the Registrar. The substantial form of which agreement shall be approved by the Certificate of Determination.

**Section 8.02. Responsibilities of Registrar.** The recitals of fact in the 2010 Series A Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any 2010 Series A Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the 2010 Series A Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Resolution and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

**Section 8.03. Evidence on Which Registrar May Act.** Except as otherwise provided by Section 10.02, the Registrar shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever the Registrar shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Issuer, but in its discretion the Registrar may instead accept other evidence of such fact or matter.

**Section 8.04. Compensation and Expenses.** The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Bonds, the first exchange of Bonds and the exchange of Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

**Section 8.05. Certain Permitted Acts.** The Registrar may become the owner of or may deal in 2010 Series A Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the 2010 Series A Bonds or this Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the 2010 Series A Bonds Outstanding.

**Section 8.06. Resignation of Registrar.** The Registrar may at any time resign and be discharged of its duties and obligations under this Resolution by giving not less than 60 days' written notice by mail or Electronic Means (other than telephonic communication) to the Issuer and publishing in an Authorized Newspaper notice (or mailing such notice to each Bondholder in the event all 2010 Series A Bonds are fully registered), specifying the date when such resignation shall

take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed or sent by Electronic Means to each owner of a fully registered Bond. Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which even such resignation shall take effect immediately.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer or by the Holders of the Bonds of a majority in principal amount of the 2010 Series A Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar.

Section 8.08. Appointment of Successor. In case at any time the Registrar shall resign or shall be removed or shall become incapable or acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the 2010 Series A Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall publish in an Authorized Newspaper (or mail to each Bondholder in the event all 2010 Series A Bonds are fully registered) notice of any such appointment within 20 days after the effective date of such appointment. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provision of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Resolution.

Section 8.09. Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and deliver any moneys, books and records held by it to its successor.

Section 8.10. Merger or Consolidation. Any company into which the Registrar may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Registrar or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Registrar without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 8.08.

Section 8.11. Adoption of Authentication. In case any of the 2010 Series A Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and in case any 2010 Series A bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

Section 8.12. Paying Agent. The Issuer is hereby authorized and directed to enter into an agreement with the Paying Agent, the substantial form of which agreement is to be approved by the Certificate of Determination of the Issuer. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Resolution. Such alternated Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Bonds shall be and remain DTC-eligible.

Each Paying Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by such Paying Agent in connection with such services solely from moneys available therefor.

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Resolution. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

The Paying Agent shall enjoy the same protective provisions in the performance of its duties hereunder as are specified in this Article VIII with respect to the Registrar, insofar as such provisions may be applicable.

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 8.08 hereof with respect to the appointment of a successor Registrar.

All moneys received by the Paying Agent shall, until used or applied as provided in this Resolution, be held in trust for the purposes for which they were received.

## **ARTICLE IX**

### **DEFEASANCE; DISCHARGE OF PLEDGE OF RESOLUTION**

**Section 9.01. Defeasance: Discharge of Pledge of Resolution.** If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all 2010 Series A Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then this Resolution and the pledges of the Net Revenues and other moneys and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the 2010 Series A Bonds made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, except as may be necessary to assure the exclusion of interest on the 2010 Series A Bonds from gross income for federal income tax purposes.

The 2010 Series A Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on the 2010 Series A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All 2010 Series A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Bond commission or an escrow trustee either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on the 2010 Series A Bonds on and prior to the Maturity Date thereof, or if the Issuer irrevocably determines to redeem any of the 2010 Series A Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor moneys deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the 2010 Series A Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of an redemption premium, if any, and interest to become due on the 2010 Series A Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations, as such term is limited by the provisions in Section 1.01 hereof or such additional securities as shall be set forth in the Certificate of Determination.

## ARTICLE X

### MISCELLANEOUS

Section 10.01. Amendment of Resolution. Prior to issuance of the 2010 Series A Bonds, this Resolution may be amended or supplemented in any way by a Supplemental Resolution. Following issuance of the 2010 Series A Bonds, this Resolution may be amended or modified by a Supplemental Resolution without the consent of any Bondholder or other person, so long as such amendment or modification is not materially adverse to any Bondholder, as determined by an opinion of Bond Counsel. No Materially adverse amendment or modification to this Resolution, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the 2010 Series A Bonds then Outstanding and affected thereby, which must be filed with the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any 2010 Series A Bond without the express written consent of the Holder of each 2010 Series A Bond so affected, nor reduce the percentage of 2010 Series A Bonds required for consent to any such modification or amendment.

Section 10.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Resolution may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Resolution if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

A. The fact and date of the execution by any Bondholder or his attorney of any such instrument may be proved (i) by the certificate of a notary public or other officer authorized to take acknowledgments of deeds to be recorded in the jurisdiction in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer or (ii) by the certificate, which need not be acknowledged or verified, of an officer of a bank, a trust company or a financial firm or corporation satisfactory to the Issuer or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

B. The authority of a person or persons to execute any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or treasurer or a vice-president or an assistant treasurer of such corporation with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary.

C. The amount of fully registered Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

Any request, consent or other instrument executed by the Holder of any Bond shall bind all future Holders and owners of such Bond in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 10.03. Preservation and Inspection of Documents. To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Resolution shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Bondholder, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Resolution shall be discharged as provided in Section 9.01.

Section 10.04. Cancellation of Bonds. All Bonds purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Bonds shall be deemed Outstanding under this Resolution and no Bonds shall be issued in lieu thereof. All such Bonds shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Bonds. Anything in this Resolution to the contrary notwithstanding, any moneys held by the Bond Commission or Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for 1 year after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such moneys then unclaimed will be returned to the Issuer. If any of said Bonds is a coupon Bond, the Registrar or said Paying Agent shall also publish such notice, not less than 30 days prior to the date such moneys will be returned to the Issuer, in an Authorized Newspaper.

Section 10.06. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Paying Agent, the Depository Bank, the Original Purchaser shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is

required to be directed as indicated below or by Electronic Means (other than a telephonic communication):

ISSUER

Jefferson County Public Service District  
340 Edmonds Road, Suite A  
Kearneysville, West Virginia 25430  
Attention: Chairman

REGISTRAR AND PAYING AGENT

[To be set forth in the Certificate of Determination.]

DEPOSITORY BANK

[To be set forth in the Certificate of Determination.]

ORIGINAL PURCHASER

Crews & Associates, Inc.  
Capital Markets Group  
300 Summers Street, Suite 930  
Charleston, West Virginia 25301  
Attention: Public Finance

Any party listed above may change such address listed for it at any time upon notice of change sent by United States mail, postage prepaid, or by Electronic Means to the other parties.

Section 10.07. No Personal Liability. No member of the Issuer or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Resolution.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Resolution and of all Bonds issued hereunder.

Section 10.09. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the 2010 Series A Bonds and the Original Purchaser, any right, remedy or claim under or by reason of this Resolution. All the covenants, stipulations, promises and agreements contained in this Resolution by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the 2010 Series A Bonds and the Original Purchaser.



Section 10.10. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Resolution.

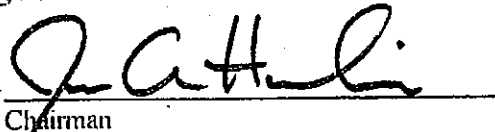
Section 10.11. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

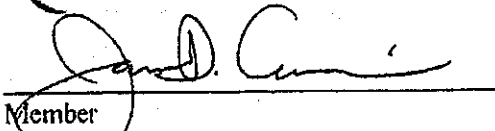
Section 10.12. Conflicting Provisions Repealed. All orders, resolutions or parts thereof in conflict with the provisions of this Resolution, are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between this Resolution and the Prior Resolutions authorizing the Prior Bonds, the Prior Resolutions shall control, unless less restrictive, so long as the Prior Bonds are Outstanding.

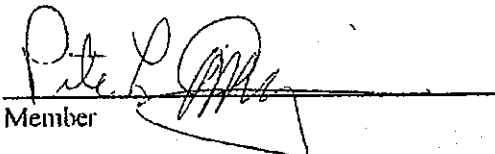
Section 10.13. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do Exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto, and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with the Resolution occurred and are duly in office.

Section 10.14. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 6<sup>th</sup> day of April, 2010

  
Chairman

  
Member

  
Member

CERTIFICATION

Certified a true, correct and complete copy of a Resolution duly adopted by the  
Public Service Board of Jefferson County Public Service District on the 6th day of April, 2010.

Dated this 7<sup>th</sup> day of June, 2010.

[SEAL]

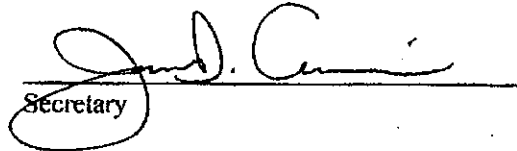
  
Secretary

EXHIBIT A – BOND FORM

*Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co. has an interest herein.*

No. AR-\_\_\_\_\_

\$\_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BOND  
2010 SERIES A

INTEREST RATE  
NO.

MATURITY DATE

BOND DATE

CUSIP

\_\_\_\_\_%

October 1, 2028

\_\_\_\_\_, 2010

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which

case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on \_\_\_\_\_ 1 and \_\_\_\_\_ 1, in each year, beginning \_\_\_\_\_ 1, 2011 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalization terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by \_\_\_\_\_, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each \_\_\_\_\_ 15 and \_\_\_\_\_ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by \_\_\_\_\_, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least \$500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in \_\_\_\_\_, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of \$ \_\_\_\_\_ designated "Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "Bonds")", of like tenor and effect, except as to number, denomination, date of maturity and interest rate, date \_\_\_\_\_ 1, \_\_, the proceeds of which are to be used, together with other funds of the Issuer, (i) to currently refund all of the Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, of the Issuer outstanding in the total aggregate principal amount of \$ \_\_\_\_\_ (the "Bonds to be Refunded"), which were issued to (i) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the public sewerage system of the Issuer (the "System"); (ii) to fund a reserve account for the Bonds; and (iii) to pay certain costs of issuance of the Bonds and related costs. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on April 6, 2010 (the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the

Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the Office of the Issuer.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF THE SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING SEWER REVENUE BONDS OF THE ISSUER: (I) SEWER REVENUE BONDS, SERIES 1988B, DATED MAY 5, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$425,767 (THE "SERIES 1988B BONDS"), (II) SEWER REVENUE BONDS, SERIES 1993A (WEST VIRGINIA SRF PROGRAM), DATED NOVEMBER 10, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$971,000 (THE "SERIES 1993A BONDS"), (III) SEWER REVENUE BONDS, SERIES 1998B (WEST VIRGINIA SRF PROGRAM), DATED JUNE 25, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$599,089 (THE "SERIES 1998B BONDS"), (IV) SEWER REVENUE BONDS, SERIES 1998C (WEST VIRGINIA INFRASTRUCTURE FUND), DATED JUNE 25, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$662,039 (THE "SERIES 1998C BONDS"), (V) SEWER REVENUE BONDS, SERIES 1999A (WEST VIRGINIA SRF PROGRAM), DATED DECEMBER 8, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$378,363 (THE "SERIES 1999A BONDS"), (VI) SEWER REVENUE BONDS, SERIES 2000A (WEST VIRGINIA SRF PROGRAM), DATED JUNE 22, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,154,889 (THE "SERIES 2000A BONDS"), AND (VII) SEWER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA SRF PROGRAM), DATED JUNE 18, 2008, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$2,005,000 (THE "SERIES 2008A BONDS," AND COLLECTIVELY WITH THE SERIES 1988B BONDS, THE SERIES 1993A BONDS, THE SERIES 1998B BONDS, THE SERIES 1998C BONDS, THE SERIES 1999A BONDS, THE SERIES 2000A BONDS AND THE SERIES 2008 A BONDS, THE "PRIOR BONDS"). THE PRIOR BONDS ARE PAYABLE FROM AND SECURED BY NET REVENUES OF THE SYSTEM.

The Issuer also has outstanding its Refunding Sewerage System Bond Anticipation Notes, Series 2010, dated January 6, 2010, issued in the aggregate principal amount of \$750,000. The Notes are payable only from and secured by a first lien on (i) the proceeds of revenue bonds or other obligations of the Issuer to be issued subsequent to the issuance of the Notes to permanently finance the costs of the Project; (ii) the proceeds of any grants received by the Issuer for the Project, and (iii) the Surplus Revenues, if any, of the System. The Notes are subordinate in all respects to the Prior Bonds.

The Bonds of this issue are subject to redemption prior to their stated Maturity Dates, as provided in the Resolution and Certificate of Determination, as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are not subject to optional redemption prior to \_\_\_\_\_. At the option of the Issuer, the Bonds will be subject to redemption prior to maturity on and after \_\_\_\_\_, \_\_\_\_\_, as a whole at any time and in part on any Interest Payment Date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

| <u>Period During Which Redeemed</u><br><u>Dates Inclusive)</u> | <u>Redemption</u><br><u>Price</u> |
|----------------------------------------------------------------|-----------------------------------|
|----------------------------------------------------------------|-----------------------------------|

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on \_\_\_\_\_, are subject to mandatory sinking fund redemption prior to maturing on \_\_\_\_\_ of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

| <u>Bonds Maturing</u> |                         |
|-----------------------|-------------------------|
| <u>Year ( )</u>       | <u>Principal Amount</u> |

| <u>Bonds Maturing</u> |                         |
|-----------------------|-------------------------|
| <u>Year ( )</u>       | <u>Principal Amount</u> |

| <u>Bonds Maturing</u> |                         |
|-----------------------|-------------------------|
| <u>Year ( )</u>       | <u>Principal Amount</u> |

Bonds Maturing

Year (    )

Principal Amount

\* Final Maturity

In the event of any redemption of less than all outstanding Bonds, Bonds shall be selected for redemption by lot or in such other manner deemed appropriate by the Paying Agent. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registrar or at such other address as is furnished in writing by such Registered Owner to the Registrar. A copy of such notice of redemption shall also be mailed to the Registrar. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Bond.

This Bond is payable from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and senior and prior to the Notes, and from moneys in the reserve account created under the Resolution for the Bonds (the "2010 Series A Bonds Reserve Account") and unexpected proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the 2010 Series A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and

to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Prior Bonds. Additional parity bonds may be issued under the conditions and within the limitations set forth in the Resolution.

All moneys received from the sale of this Bond except for accrued interest thereon shall be applied solely to refund the Bonds to be Refunded, fund a reserve account for the Bonds, and pay costs of issuance thereof, and there shall be, and hereby is, created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Bonds of which this Bond is one.

This Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Resolution.

This Bond, together with the interest thereon, is under the Act exempt from taxation by the State of West Virginia, and the other taxing bodies of the State.

This Bond has been designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication and registration thereon shall have been signed by the Registrar.

All provisions of the Resolution and the statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]



IN WITNESS WHEREOF, JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA) has caused this bond to be signed by its Chairman, and its corporate seal to be imprinted hereon and attested by its Secretary, and has caused this Bond to be dated, as of the Bond Date specified above.

[SEAL]

(Manual or Facsimile Signature)  
Chairman

ATTEST:

(Manual or Facsimile Signature)  
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the fully registered Bonds described in the written-mentioned Resolution and has been duly registered in the name of the Registered Owner on the date set forth below.

Dated: \_\_\_\_\_, 2010

\_\_\_\_\_  
as Registrar

By \_\_\_\_\_  
Its: Authorized Officer

ASSIGNMENT

Social Security or Other Identifying Number of Assignee \_\_\_\_\_

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ the within Bond and does hereby irrevocably constitute and appoint

\_\_\_\_\_ to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_

SIGNATURE GUARANTEED:

\_\_\_\_\_  
(Bank, Trust Company or Firm)

\_\_\_\_\_  
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

EXHIBIT B- FORM OF CERTIFICATE OF DETERMINATION

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

CERTIFICATE OF DETERMINATION

The undersigned, \_\_\_\_\_, Chairman of the Jefferson County Public Service District (the "District"), in accordance with Sections 2.02 and 2.03 of the Bond Resolution adopted by the Board of the District (the "Board") on April 6, 2010 (the "Parameters Resolution"), with respect to the \$ \_\_\_\_\_ Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "2010 Series A Bonds"), hereby determines, that:

1. The 2010 Series A Bonds shall be issued in the aggregate principal amount of \$ \_\_\_\_\_, which is less than the \$1,975,000 principal amount approved by the Parameters Resolution.
2. The 2010 Series A Bonds shall mature on \_\_\_\_\_ 1, 20\_\_\_\_, which does not exceed the Maturity Date established by the Parameters Resolution.
3. The 2010 Series A Bonds shall bear interest upon original issuance at the rates set forth in Schedule A. The interest rates on the 2010 Series A Bonds upon original issuance do not exceed the maximum rate of 7.5% per annum established by the Parameters Resolution.
4. The 2010 Series A Bonds shall be subject to mandatory and optional redemption prior to maturity as set forth on the attached Schedule A.
5. The 2010 Series A Bonds shall be sold to Crews & Associates, Inc. (the "Underwriter") in accordance with the terms of the Purchase Contract dated \_\_\_\_\_, 2010 between the Underwriter and the Issuer, at an aggregate purchase price of \$ \_\_\_\_\_ (representing par value less an underwriting discount of \$ \_\_\_\_\_ and a net original issue discount of \$ \_\_\_\_\_).
6. The 2010 Series A Bonds shall be dated \_\_\_\_\_, 2010.
7. The 2010 Series A Bonds shall be designated as set forth above.

The undersigned certifies that the foregoing terms and conditions of the 2010 Series A Bonds are within the limitations prescribed by Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended, and within the limits prescribed by the Parameters Resolution.

JEFFERSON COUNTY PUBLIC SERVICE  
DISTRICT

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_, 2010

## **SCHEDULE A TO EXHIBIT B**

### **CERTAIN DETAILS OF THE BONDS**

The Bonds shall bear interest (based on a 360-day year of twelve 30-day months) at the respective rates and shall mature on \_\_\_\_\_ 1 of the years and in the principal amounts set forth below:

| <b><u>Year</u></b> | <b><u>Principal<br/>Amount</u></b> | <b><u>Interest Rate</u></b> | <b><u>Yield</u></b> | <b><u>CUSIP</u></b> |
|--------------------|------------------------------------|-----------------------------|---------------------|---------------------|
|--------------------|------------------------------------|-----------------------------|---------------------|---------------------|

### **Redemption Provisions**

*Mandatory Sinking Fund Redemption.* The Bonds maturing \_\_\_\_\_ are subject to mandatory redemption, prior to their stated Maturity Date, in part, from payments deposited in the \_\_\_\_\_ Fund, on \_\_\_\_\_ 1 in the years set forth below. The redemption price will be 100% of the principal amount of the Bonds to be so redeemed plus accrued interest, if any, to the redemption date. On the following dates, such maturity of Bonds shall be redeemed or paid in the amounts set forth opposite each such date:

Maturing \_\_\_\_\_ 1, 20\_\_

Year

Principal Amount

\* Denotes final maturity

*Optional Redemption.* The Bonds are not subject to optional redemption prior to \_\_\_\_\_. At the option of the Issuer, the Bonds will be subject to redemption prior to maturity on and after \_\_\_\_\_, \_\_\_\_\_, as a whole at any time and in part on any Interest Payment Date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed  
Dates Inclusive)

Redemption  
Price

EXHIBIT C – FORM OF ESCROW AGREEMENT

§  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

ESCROW AGREEMENT

This ESCROW AGREEMENT, made and entered into as of \_\_\_\_\_, 2010, by and between JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (the "Issuer") and the WEST VIRGINIA MUNICIPAL BOND COMMISSION (the "Commission" or the "Escrow Agent").

WITNESSETH THAT:

WHEREAS, the Issuer presently owns and operates a public sewerage system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of Prior Bonds (as hereinafter defined), including its Sewer Refunding Revenue Bonds, Series 1998A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 (the "Bonds to be Refunded");

WHEREAS, the Issuer currently has outstanding its (i) Sewer Revenue Bonds, Series 1988B, dated May 5, 1988, issued in the original aggregate principal amount of \$425,767 (the "Series 1988B Bonds"), (ii) Sewer Revenue Bonds, Series 1993A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of \$971,000 (the "Series 1993A Bonds"), (iii) Sewer Revenue Bonds, Series 1998B (West Virginia SRF Program), dated June 2, 1998, issued in the original aggregate principal amount of \$599,089 (the "Series 1998B Bonds"), (iv) Sewer Revenue Bonds, Series 1998C (West Virginia Infrastructure Fund), dated June 2, 1998, issued in the original aggregate principal amount of \$662,039 (the "Series 1998C Bonds"), (v) Sewer Revenue Bonds, Series 1999A (West Virginia SRF Program), dated December 8, 1999, issued in the original aggregate principal amount of \$378,363 (the "Series 1999A Bonds"), (vi) Sewer Revenue Bonds, Series 2000A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of \$1,154,889 (the "Series 2000A Bonds"), and (vii) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated June 18, 2008, issued in the original aggregate principal amount of \$2,005,000 (the "Series 2008A Bonds," and collectively with the Series 1988B Bonds, the Series 1993A Bonds, the Series 1998B Bonds, the Series 1998C Bonds, the Series 1999A Bonds, the Series 2000A Bonds and the Series 2008 A Bonds, the "Prior Bonds").

WHEREAS, under the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and empowered to issue



refunding revenue bonds for the purpose of retiring or refinancing all or any apart of the outstanding Bonds to be Refunded;

WHEREAS, the Issuer is advised that present value debt service savings will be realized as a result of the refunding of the Bonds to be Refunded;

WHEREAS, the Issuer has determined and hereby determines that it would therefore be to the benefit of the Issuer and its residents to refund the Bonds to be Refunded and to redeem the Bonds to be Refunded on the Redemption Date (hereinafter defined), in the manner set forth herein with proceeds of a series of bonds to be designated "Sewer Refunding Revenue Bonds, 2010 Series A" (the "2010 Bonds"), in the maximum aggregate principal amount of not more than \$1,975,000, together with other moneys of the Issuer;

WHEREAS, the Bonds to be Refunded were issued pursuant to a resolution of the Issuer duly adopted on February 26, 1998, as supplemented by a resolution of the Issuer duly adopted on February 26, 1998 (collectively, the "1998 Resolution");

WHEREAS, the Issuer has determined to issue its Sewer Refunding Revenue Bonds, 2010 Series A (the "2010 Series A Bonds") pursuant to a resolution adopted April 6, 2010 (the "Resolution"), and contemporaneously therewith, legally defease the Bonds to be Refunded by applying proceeds of the 2010 Series A Bonds and certain moneys of the Issuer ("Issuer's Funds") which shall be deposited in the Escrow Fund herein described;

WHEREAS, capitalized terms used herein and otherwise defined shall have the meanings set forth in the Resolution;

WHEREAS, the amounts deposited in the Escrow Fund delivered to the Escrow Agent simultaneously with the delivery of the 2010 Series A Bonds, are in such principal amount and mature and bear interest at such rates and are payable at such times and in such amounts as to insure the payment of the principal of and interest on the Bonds to be Refunded on the redemption date thereof, being \_\_\_\_\_, 2010 (the "Redemption Date"), the entire remaining principal amount of the Bonds to be Refunded then outstanding, together with a redemption premium and interest accrued thereon to such date (collectively, the "Redemption Price") and the Redemption Price is an amount sufficient to fully defease the Bonds to be Refunded pursuant to the Verification Report, dated \_\_\_\_\_, 2010, of \_\_\_\_\_, a firm of independent certified public accountants, attached hereto as EXHIBIT A - VERIFICATION REPORT (the "Verification Report"); and

WHEREAS, the Issuer has found it desirable to appoint the Escrow Agent and the Escrow Agent has agreed to such appointment for the purposes of receiving the deposits to the escrow fund (hereinafter defined) and disbursing to the paying agent such amounts as may be necessary to provide the Redemption Price on the Redemption Date;

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and in order further to secure payment of the Bonds to be Refunded, as heretofore provided, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives, successors and assigns, as follows:

1. There is hereby created and established with the Escrow Agent an irrevocable trust fund to be known as the "Escrow Fund," to be held in the custody of the Escrow Agent, separate and apart from all other funds of the Issuer and the Escrow Agent. The deposits of moneys in the Escrow Fund shall constitute an irrevocable deposit of said moneys in trust for, and such moneys, together with any income or interest earned thereon, shall be applied, except as otherwise provided herein, to the payment of the Redemption Price of the Bonds to be Refunded on the Redemption Date, all in accordance with paragraph 4 hereof.

2. Concurrently with the delivery of the 2010 Series A Bonds, the Commission shall transfer from the Bonds to be Refunded Sinking Fund the sum of \$\_\_\_\_\_ to the Escrow Agent for deposit into the Escrow Fund and from the Bonds to be Refunded Reserve Account the sum of \$\_\_\_\_\_ to the Escrow Agent for deposit into the Escrow Fund.

3. Concurrently with the delivery of the 2010 Series A Bonds, the Issuer and the Escrow Agent shall cause (i) 2010 Series A Bonds proceeds in the amount of \$\_\_\_\_\_, and (ii) the amount described in paragraph 2 above, on deposit with the Commission in the Bonds to be Refunded Sinking Fund and Reserve Account in the amount of \$\_\_\_\_\_ (total of \$\_\_\_\_\_) to be deposited in the Escrow Fund and shall be applied solely to the payment of the Bonds to be Refunded. \_\_\_\_\_, has certified, in its Verification Report, attached hereto as EXHIBIT A, that the cash in the Escrow Fund will be sufficient to pay the principal of and interest on the Bonds to be Refunded as the same become due, and on the Redemption Date. The monies in the Escrow Fund shall not be invested.

4. The Escrow Agent shall transfer from the Escrow Fund and deposit the Redemption Price directly with the paying agent for the Bonds to be Refunded, in immediately available funds on the Redemption Date.

5. The holders of the Bonds to be Refunded shall have an express lien on all money and assets in the Escrow Fund until paid out, used and applied in accordance with this Agreement.

6. Subject to the provisions of paragraph 15 hereof, 12 months after the payment of all amounts required to be paid pursuant to paragraph 4 of this Agreement, the amounts remaining in the Escrow Fund, if any, shall be deposited by the Escrow Agent in the 2010 Series A Bonds Sinking Fund, and applied to payment of the 2010 Series A Bonds.

7. The Escrow Agent shall be entitled to fees for services rendered under this Escrow Agreement and reasonable expenses as set forth in EXHIBIT B – ESCROW AGENT FEES, attached hereto. The Issuer shall pay from its own funds, to the Escrow Agent the amounts at the times set forth in EXHIBIT B. In no event shall such fees or expenses be paid from the Escrow Fund, nor shall the Escrow Agent or the paying agent have any lien whatsoever upon any of the moneys in the Escrow Fund for the payment of such fees or expenses.

8. The Issuer and the Escrow Agent independently hereby covenant that no part of the moneys or funds at any time in the Escrow Fund shall be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Bonds to be Refunded or the 2010 Series A Bonds to be an "arbitrage bond" as defined in Section 148 of the Code, or to be subject to treatment under Section 148 as an obligation not described in Section 103 of the Code.

9. The Escrow Agent shall not have any responsibility with respect to the sufficiency of this Escrow Agreement to effect payment, redemption or defeasance of the Bonds to be Refunded. The liability of the Escrow Agent for the payment of the principal of, interest on and Redemption Price of the Bonds to be Refunded shall be limited to the payment of all amounts required to be paid pursuant to paragraph 4 hereof. The Escrow Agent shall not be liable or responsible because of the failure of the Issuer to perform any act required of it by this Escrow Agreement. The Escrow Agent shall have no responsibility to the Issuer or any other person in connection with this Escrow Agreement except as specifically provided herein, and shall not be responsible for anything done or omitted to be done by it except for its own negligence or willful default in the performance of any obligation imposed on it hereunder.

10. By execution of this Escrow Agreement, the Escrow Agent accepts the duties and obligations as Escrow Agent hereunder. The Escrow Agent represents that it has all requisite power, and has taken all action necessary to execute the trusts hereby created.

11. If the Escrow Agent is called upon by the terms of this Escrow Agreement to determine the occurrence of any vent or contingency, the Escrow Agent may request from the Issuer or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may inquire and consult with the Issuer, at any time. The Escrow Agent may request an opinion of counsel for a determination of any legal issue which might arise in the performance of its duties hereunder and may act in accordance with the advice given in such opinion.

12. The Escrow Agent may act upon any notice, request, waiver, consent, certificate, receipt, authorization, power of attorney or other instrument or document which the Escrow Agent in good faith believes to be genuine and correct and to have been signed or sent by the proper person or persons.

13. The Escrow Agent may resign or be removed by the Issuer, and thereby become discharged from the trusts hereby created, by notice given to the Issuer not less than thirty (30) days before such resignation or removal shall take effect. Such resignation or removal shall take effect immediately, however, upon the earlier appointment of a new Escrow Agent hereunder and acceptance of the trusts hereby created. The Escrow Agent shall continue to serve as Escrow Agent until a successor is appointed and the funds held hereunder transferred. The Escrow Agent shall provide a proper accounting to the Issuer of all funds deposited pursuant to this Escrow Agreement within 30 days of the appointment of a successor Escrow Agent. If no such appointment has been made at the end of the 30 day period, the Escrow Agent may petition a court of competent jurisdiction for appointment of a successor or temporary Escrow Agent. In the event of the resignation or removal of the Escrow Agent, the Escrow Agent shall rebate to the Issuer any fees theretofore paid in advance by the Issuer to the Escrow Agent for its services under this Escrow Agreement.

14. This Escrow Agreement is made for the benefit of the Issuer, the Escrow Agent and the holders of the Bonds to be Refunded, except as otherwise expressly provided herein. This Escrow Agreement may be modified or amended at anytime, provided, however, that no such modification or amendment shall be made which would, materially adversely affect the interest of any of the holders of the Bonds to be Refunded.

15. If any Outstanding Bonds to be Refunded are not presented for payment on the Redemption Date, and moneys are held by the Escrow Agent for payment thereof, such moneys shall be held for such purposes for a period of 2 years from the Redemption Date, at which time such moneys shall be paid to the Issuer. Following such payment to the Issuer, the Issuer shall be responsible for payment to any holder of the Bonds to be Refunded presenting such Bonds to be Refunded to the Escrow Agent of the amount payable to such holder.

16. This Escrow Agreement shall terminate on the earlier of the date on which all the Outstanding Bonds to be Refunded have been redeemed, paid in full and discharged, or, as described in paragraph 15 above, 2 years after the last date on which payment on the Bonds to be Refunded is due. Upon termination of this Escrow Agreement, any remaining moneys in the Escrow Fund shall be transferred as provided in paragraph 6 hereof.

17. If any one or more of the covenants or agreements provided in this Escrow Agreement to be performed on the part of any of the parties hereto shall be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreement shall be deemed and construed to be severable from the remaining covenants and agreements here in contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

18. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

19. This Escrow Agreement is made in the State of West Virginia under the Constitution and laws of such State and is to be so construed.

IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement on the day and year first above written.

JEFFERSON COUNTY PUBLIC SERVICE  
DISTRICT

By: \_\_\_\_\_  
Its: Chairman

WEST VIRGINIA MUNICIPAL BOND  
COMMISSION

By: \_\_\_\_\_  
Its: Executive Director

**EXHIBIT A TO ESCROW AGREEMENT -**  
**VERIFICATION REPORT**

**EXHIBIT B TO ESCROW AGREEMENT-**  
**ESCROW AGENT FEES**

None.

**Exhibit D - Bond Purchase Agreement**

**BOND PURCHASE AGREEMENT**

Date: \_\_\_\_\_, 2010

Jefferson County Public Service District  
340 Edmond Road, Suite A  
Kearneysville, West Virginia 25430

Re: \$\_\_\_\_\_ Jefferson County Public Service District (West Virginia)  
Sewer Refunding Revenue Bonds, 2010 Series A

Ladies and Gentlemen:

Crews & Associates, Inc. (the "Underwriter") offers to enter into the following agreement with the Jefferson County Public Service District (West Virginia) (the "Issuer") which, upon your acceptance of this offer, will be binding upon you and upon the Underwriter. Words and terms not otherwise defined herein shall have the same meanings as set forth in the Official Statement described in Section 3 hereof.

This offer is made subject to acceptance by the Issuer on or before \_\_\_\_\_, 2010, at 7:00 p.m., New York, New York time.

1. Upon and subject to the terms and conditions and upon the basis of the respective representations, warranties and covenants hereinafter set forth, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriter, all (but not less than all) of the \$\_\_\_\_\_ Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "2010 Series A Bonds" or the "Bonds"), at an aggregate purchase price of \$\_\_\_\_\_ (which represents the aggregate principal amount of the 2010 Series A Bonds, less a \$\_\_\_\_\_ underwriting discount).

The 2010 Series A Bonds are to be special limited obligations of the Issuer, issued pursuant to a Bond Resolution duly adopted by the Issuer on April 6, 2010 (the "Resolution") with the final terms to be as set forth and described in a Certificate of Determinations executed and delivered by the Issuer on \_\_\_\_\_, 2010 (the "Certificate of Determinations"). The payment of the debt service of all of the 2010 Series A Bonds are secured forthwith equally and ratably by: (i) the Net Revenues of the sewerage system of the Issuer (the "System"), on a parity with respect to lien on, source of and security for payment with the Prior Bonds (hereinafter defined), and senior and prior to the Notes (hereinafter defined), (ii) the monies on deposit in the funds and accounts established by the Resolution in connection with the 2010 Series A Bonds, including the monies on deposit in the Escrow Fund (the "Escrow Fund") established pursuant to the Escrow Agreement, dated \_\_\_\_\_, 2010, between the Issuer and the West Virginia Municipal Bond Commission (the "Escrow Agreement"), and (iii) the unexpended proceeds of the 2010 Series A Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the 2010 Series A Bonds and the Prior Bonds, and all other payments provided for in the Resolution, are irrevocably pledged in the manner provided in the Resolution to the payment of the



principal of and interest on the 2010 Series A Bonds as the same become due and for the other purposes provided in the Resolution.

The Issuer currently has outstanding the following revenue bonds which are secured by the Net Revenues of the System: (i) Sewer Revenue Bonds, Series 1988 B, dated May 5, 1988, issued in the original aggregate principal amount of \$425,767 (the "Series 1988 B Bonds"); (ii) Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of \$971,000 (the "Series 1993 A Bonds"); (iii) Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 (the "Series 1998 A Bonds"); (iv) Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program), dated June 25, 1998, issued in the original aggregate principal amount of \$599,089 (the "Series 1998 B Bonds"); (v) Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund), dated June 25, 1998, issued in the original aggregate principal amount of \$662,039 (the "Series 1998 C Bonds"); (vi) Sewer Revenue Bonds, Series 1999 A (West Virginia SRF Program), dated December 8, 1999, issued in the original aggregate principal amount of \$378,363 (the "Series 1999 A Bonds"); (vii) Sewer Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of \$1,154,889 (the "Series 2000 A Bonds"); (viii) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated June 18, 2008, issued in the original aggregate principal amount of \$2,005,000 (the "Series 2008 A Bonds") (collectively, hereinafter called the "Prior Bonds"). The resolutions pursuant to which the Prior Bonds were issued are hereinafter collectively called the "Prior Resolutions".

The 2010 Series A Bonds shall be issued on a parity with respect to lien on, source of and security for payment with the Prior Bonds. The Issuer may issue additional bonds which are on a parity with the 2010 Series A Bonds in the manner and subject to the terms and conditions set forth in Section 6.07 of the Resolution.

The Issuer also has outstanding its Refunding Sewerage System Bond Anticipation Notes, Series 2010 (the "Notes"), dated January 6, 2010, issued in the aggregate principal amount of \$750,000. The Notes are payable only from and secured by a first lien on (i) the proceeds of revenue bonds or other obligations of the Issuer to be issued subsequent to the issuance of the Notes to permanently finance the costs of the project refinanced by the proceeds of the Notes; (ii) the proceeds of any grants received by the Issuer for the project refinanced by the proceeds of the Notes, and (iii) the Surplus Revenues, if any, of the System. The Notes are subordinate in all respects to the 2010 Series A Bonds and the Prior Bonds.

The proceeds of the 2010 Series A Bonds, together with other funds of the Issuer available therefor, will be used as follows: (i) to refund the entire outstanding principal balance and all accrued interest on the Issuer's outstanding Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 (the "Bonds to be Refunded"); (ii) to fund a Reserve Fund for the 2010 Series A Bonds, if 2010 Series A Bond Proceeds are necessary therefore; and (iii) to pay costs of issuance of the 2010 Series A Bonds and related costs.

2. The 2010 Series A Bonds will mature on the dates and in the amounts and will bear interest at the rates as set forth on Exhibit A hereto. The 2010 Series A Bonds will be subject to redemption at the times and prices set forth in the Certificate of Determinations.

3. Within seven business days of its acceptance hereof, the Issuer shall deliver to the Underwriter at the expense of the Issuer a sufficient number of copies of a final Official Statement of the Issuer of even date herewith, executed by the Issuer (the "Official Statement") to enable the Underwriter to provide an Official Statement with confirmation of the purchase of the Bonds and to otherwise provide copies of the Official Statement as required by Rule 15c2-12 under the Securities Exchange Act of 1934. The Official Statement shall be in substantially the same form as that of the Preliminary Official

Statement of the Issuer dated \_\_\_\_\_, 2010 (the "Preliminary Official Statement") previously distributed with respect to the 2010 Series A Bonds. The Issuer hereby authorizes the use of the Official Statement and the information therein contained in connection with the public offering and sale of the 2010 Series A Bonds.

The Issuer hereby approves the forms of, and consents to the Underwriter's use of, the Preliminary Official Statement and the Official Statement in connection with the offering and sale of the 2010 Series A Bonds. The Official Statement is hereby deemed final within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934, with such changes, omissions, insertions and revisions as the Chairman of the Issuer shall deem advisable, such signature to evidence approval thereof, and is hereby authorized.

4. In order to induce the Underwriter to enter into this Bond Purchase Agreement, the Issuer hereby represents and warrants to the Underwriter that both at the time of acceptance hereof by the Issuer and at the time of Closing:

(a) the statements and information contained in the Official Statement under the heading "INTRODUCTION," "SOURCES AND USES OF FUNDS," "SECURITY FOR THE 2010 SERIES A BONDS," "THE SYSTEM," "LITIGATION," "FINANCIAL STATEMENTS OF THE DISTRICT," "CONTINUING DISCLOSURE," and APPENDICES A and B are and will be true, correct and complete in all material respects and such statements and information do not and will not contain any untrue or misleading statement of a material fact or omit any statement or information which is necessary to make the statements and information therein, in the light of the circumstances under which they were made or presented, not misleading in any material respect;

(b) the Issuer is and will be duly organized and validly existing under the laws of the State of West Virginia with the powers and authority set forth in Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), including the full legal right, power and authority to issue revenue bonds to finance the costs of the refunding of the Bonds to be Refunded and to enter into this Bond Purchase Agreement, to adopt resolutions with respect to the 2010 Series A Bonds, to issue, sell and deliver the Bonds to the Underwriter as provided herein and to carry out and consummate all other transactions contemplated by the aforesaid documents;

(c) when delivered to and paid for by the Underwriter at the Closing in accordance with the provisions of this Bond Purchase Agreement, the Bonds will have been duly authorized, executed, authenticated, issued and delivered and will constitute valid and binding special obligations of the Issuer of the character permitted by the Act (as defined in the Resolution), in conformity with, and entitled to the benefit and security of, the Act and the Resolution;

(d) the execution and delivery of this Bond Purchase Agreement, the 2010 Series A Bonds, the Tax Certificate by the Issuer dated the date of delivery of the 2010 Series A Bonds (the "Tax Certificate"), the Escrow Agreement, dated the date of delivery of the 2010 Series A Bonds, by and between the Issuer and the West Virginia Municipal Bond Commission (the "Escrow Agreement"), the Continuing Disclosure Certificate by the Issuer dated the date of delivery of the 2010 Series A Bonds (the "Continuing Disclosure Certificate") and the other documents and certificates to be executed and delivered by the Issuer in connection with the issuance of the 2010 Series A Bonds (collectively, the "Bond Documents") and compliance with the provisions hereof and thereof, under the circumstances contemplated hereby and thereby, will not in any material respect conflict with or constitute on the part of the Issuer a breach of or default under any agreement or other instrument to which the Issuer is a party or any existing law, administrative regulation, court order or consent decree to which the Issuer is subject;

(e) all approvals, consents and orders of any governmental authority, board, agency, council or commission having jurisdiction which would constitute a condition precedent to the performance by the Issuer of its obligations hereunder and under the Resolution and the Bonds have been obtained or, if not, will be obtained on or prior to the time of Closing;

(f) no litigation is pending or, to the knowledge of the Issuer, threatened (i) seeking to restrain or enjoin the issuance or delivery of any of the 2010 Series A Bonds or the application of proceeds of the 2010 Series A Bonds as provided in the Resolution, (ii) in any way contesting or affecting any authority for the issuance of the 2010 Series A Bonds or the validity of the 2010 Series A Bonds, the Resolution or any of the Bond Documents, (iii) in any way contesting the existence or powers of the Issuer, or (iv) in any way contesting the right of the members of the board of the Issuer to hold any of their respective offices;

(g) the Issuer is not in breach of or in default under any existing law, court or administrative regulation, decree or order applicable to the Issuer or by which it or its property is bound, and no event has occurred or is continuing which, with the passage of time or the giving of notice, or both, would constitute a breach of or a default or an event of default thereunder, wherein such breach or default would have a materially adverse impact on the transactions contemplated by this Bond Purchase Agreement, the Official Statement or the Resolution or the validity of the 2010 Series A Bonds or any of such other documents or any agreement or instrument to which the Issuer is a party or by which it or its property is bound and which is used or contemplated for use in the consummation of the transactions contemplated hereby;

(h) any certificate signed by any officer of the Issuer and delivered to the Underwriter at the Closing shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein;

(i) when this Bond Purchase Agreement is accepted by the Issuer, and when the 2010 Series A Bonds are issued, authenticated, sold and delivered to the Underwriter, each of the representations and certifications of the Issuer herein, in the Resolution and in the Bond Documents is and will be true, accurate and complete;

(j) the Issuer has not received any judicial or administrative notice which in any way questions the Federal tax exempt status of interest on the 2010 Series A Bonds or indicates that certificates of the Issuer as to non-arbitrage may not be relied upon in accordance with applicable Treasury Regulations;

(k) since June 30, 2009, no material and adverse change has occurred in the financial position or results of operations of the Issuer;

(l) since June 30, 2009, the Issuer has not incurred any material liabilities other than as disclosed in the Official Statement;

(m) to the best knowledge of the officer executing this Bond Purchase Agreement it is not in breach of or in default under any existing law, court or administrative regulation, decree, order, agreement or other instrument to which it is subject or is a party or by which it or any of its property is bound, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a breach of or a default or an event of default thereunder;

(n) the financial statements of the Issuer included in the Preliminary Official

Statement and the Official Statement as Appendix B thereto present fairly the financial position of the Issuer as of the respective dates set forth thereon and the results of its operations and the changes in its financial position for the years ending on such dates in conformity with generally accepted accounting principles applied on a consistent basis, except as disclosed in the financial statements;

(o) the Issuer has duly taken all action necessary to be taken by it for the issuance and sale of the Bonds by the Issuer upon the terms set forth herein and in the Official Statement and the Resolution and for the execution, delivery and performance by it of this Bond Purchase Agreement and the other Bond Documents and has duly taken all such other action as may be necessary or appropriate for the effectuation and consummation of the transactions contemplated hereby or by the Official Statement or the Bond Documents;

(p) the Issuer will not take or omit to take any action which will in any way cause or result in the proceeds from the sale of the 2010 Series A Bonds being applied in a manner other than as provided in the Resolution;

(q) except as may be described in the Official Statement, there is no action, suit, proceeding, investigation at law or in equity before or by any court, public board or body pending or, to the knowledge of the Issuer, threatened against or affecting it which, after due investigation, management believes will result in the award of money damages in excess of the applicable insurance coverages or wherein an unfavorable decision, ruling or finding would have a materially adverse effect on the transactions contemplated by this Bond Purchase Agreement, the Official Statement or the Bond Documents;

(r) the Issuer will not, while any 2010 Series A Bonds are Outstanding (within the meaning of the Resolution), take or permit to be taken any action which would adversely affect the exclusion from gross income of the interest on the 2010 Series A Bonds for Federal income tax purposes; and

(s) the Issuer is eligible and entitled to participate in the transactions contemplated by this Bond Purchase Agreement, the Official Statement or the Bond Documents.

The Issuer covenants that between the date hereof and the time of Closing it will not take any action, or omit to take any action, which will cause any of the representations and warranties made in this Section 4 to be untrue or incomplete as of the time of Closing.

5. (Reserved)

6. The Issuer consents to and ratifies the use of the Preliminary Official Statement prior to the availability of the Official Statement by the Underwriter in connection with the public offering of the 2010 Series A Bonds after the date hereof.

7. At 10:00 A.M. Charleston, West Virginia time, on \_\_\_\_\_, 2010, or at such other time or on such other date as shall have been mutually agreed upon by the Issuer and the Underwriter (the "Closing Date"), the Issuer will deliver the Bonds to the Underwriter through The Depository Trust Company ("DTC") in New York, New York, in definitive form, duly executed by the Issuer and authenticated by the Registrar. Delivery of the documents described in Section 8 hereof shall occur at the offices hereinafter specified. Upon receipt thereof, the Underwriter shall pay the purchase price of the 2010 Series A Bonds, plus accrued interest to the Closing Date, if any, to the Issuer in Federal funds. Such delivery and payment therefor is referred to herein as the "Closing".

Each maturity of the 2010 Series A Bonds shall be represented by a single certificate registered in the name of Cede & Co., as nominee of DTC, and will be made available to the Underwriter for checking not less than 24 hours prior to the Closing Date. It is anticipated that CUSIP identification numbers will be printed on the 2010 Series A Bonds, but neither the failure to print such numbers on any 2010 Series A Bond, nor any error with respect thereto, shall constitute cause for a failure or refusal by the Underwriter to accept delivery of, and pay for, the 2010 Series A Bonds in accordance with the terms of this Bond Purchase Agreement.

The Closing as aforesaid will be held at the offices of Spilman Thomas & Battle, PLLC, Charleston, West Virginia, or at such other place as shall have been mutually agreed upon by the Issuer and the Underwriter.

8. The obligations of the Underwriter hereunder shall be subject (i) to the performance by the Issuer of its obligations to be performed hereunder at or prior to the time of Closing, (ii) to the accuracy and completeness in all material respects, in the reasonable judgment of the Underwriter, of the representations and warranties of the Issuer made herein as of the date hereof and as of the time of Closing and (iii) to the following conditions, including the delivery by the Issuer of such documents as are enumerated herein in form and substance reasonably satisfactory to the Underwriter, counsel to the Underwriter, Steptoe & Johnson PLLC, Clarksburg, West Virginia, ("Underwriter Counsel") and bond counsel, Spilman Thomas & Battle, PLLC, Charleston, West Virginia ("Bond Counsel").

(a) At the time of Closing, (i) the Resolution and the Bond Documents shall have been duly executed and delivered by the respective parties thereto and shall be in full force and effect and shall not have been amended, modified or supplemented from the forms thereof heretofore submitted to the Underwriter, except as may have been agreed to by the Underwriter with such agreement to be conclusively evidenced by the closing, (ii) the proceeds of the sale of the Bonds shall be deposited in accordance with the Resolution and the Official Statement and (iii) the Issuer shall have duly adopted and there shall be in full force and effect such resolutions as in the opinion of Underwriter Counsel shall be necessary in connection with the transactions contemplated hereby.

(b) The Underwriter shall have the right to cancel its obligations to purchase the 2010 Series A Bonds if:

(1) between the date hereof and the time of Closing, (A) legislation shall be enacted or be considered actively for enactment by the Congress, or recommended to the Congress for passage by the President of the United States, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation has been referred for consideration, or a decision by a court of the United States or by the United States Tax Court shall be rendered, or a ruling, regulation, proposed regulation, temporary regulation or official release or statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or any other governmental agency shall be made or proposed to be made with respect to Federal taxation upon revenues or other income of the general character of those to be derived by the Issuer from operation of its System, or upon interest on obligations of the general character of the 2010 Series A Bonds, or (B) any other action or event shall have transpired which may (1) have the purpose or effect, directly or indirectly, of adversely affecting the Federal income tax consequences of any of the transactions contemplated hereby, including without limitation in the reasonable judgment of the Underwriter, materially adversely affect the market price or marketability of the 2010 Series A Bonds,

or the market prices or marketability generally of obligations of the general character of the 2010 Series A Bonds, or

(2) there shall exist any event which in the reasonable judgment of the Underwriter either (A) makes untrue or incorrect in any material respect any statement or information contained in the Preliminary Official Statement or the Official Statement or (B) requires the making of any additional statement so that the statements and information set forth in the Preliminary Official Statement and/or the Official Statement shall not be misleading in any material respect, or

(3) between the date hereof and the time of Closing, there shall have occurred any outbreak of hostilities or other national or international calamity or crisis, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market price or the marketability of the 2010 Series A Bonds, or

(4) there shall be in force a general suspension of trading on the New York Stock Exchange or the fixing of maximum or minimum prices for trading on said Exchange, or

(5) there shall have occurred a financial crisis or a default with respect to the debt obligations of, or the institution of proceedings under the Federal bankruptcy laws or West Virginia receivership law by or against, any political subdivision, agency or instrumentality of the State of West Virginia (the effect of which being, in the reasonable judgment of the Underwriter, to make it impracticable for the Underwriter to market the 2010 Series A Bonds or to enforce contracts for the sale of the 2010 Series A Bonds), or

(6) a general banking moratorium shall have been declared by either Federal, West Virginia or New York authorities, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially and adversely affect the market price or the marketability of the 2010 Series A Bonds, or

(7) a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission shall be issued or made to the effect that the issuance, offering or sale of the 2010 Series A Bonds, or of obligations of the general character of the 2010 Series A Bonds as contemplated hereby, is in violation of any provision of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended, or

(8) any state "blue sky" or securities commission shall have withheld registration, exemption, or clearance of the offering of the 2010 Series A Bonds, and in the reasonable judgment of the Underwriter, the market for the 2010 Series A Bonds is materially adversely affected thereby, or

(9) a supplement or amendment shall have been made to the Official Statement subsequent to the date hereof which describes any materially adverse change in the affairs of the Issuer not disclosed in the Official Statement and in the Preliminary Official Statement,

(c) At the Closing, the Underwriter shall receive the following documents, in such number of counterparts as may be mutually agreeable to the Underwriter and the Issuer:

(1) the approving opinion of Bond Counsel, dated the Closing Date, addressed to the Issuer, together with a reliance letter to the Underwriter relating to the due authorization, execution, delivery, validity and tax-exempt status of the interest on the 2010 Series A Bonds for Federal and West Virginia income tax purposes, in form and substance satisfactory to the Underwriter;

(2) a supplemental opinion of Bond Counsel, dated the Closing Date, addressed to the Issuer and the Underwriter, to the effect that:

(i) The statements contained in the Official Statement under the headings "INTRODUCTION," "SOURCES AND USES OF FUNDS," "THE 2010 SERIES A BONDS," "SECURITY FOR THE 2010 SERIES A BONDS," "TAX MATTERS," "CONTINUING DISCLOSURE" and in Appendix C and Appendix D except for financial or statistical data therein as to which no opinion is hereby expressed, thereto insofar as such statements purport to summarize certain provisions of the 2010 Series A Bonds or the Resolution are true, correct and complete in all material respects and present a fair summary of the matters intended to be summarized therein; and

(ii) No registration of the 2010 Series A Bonds under the Securities Act of 1933, as amended, or qualification of the Resolution under the Trust Indenture Act of 1939, as amended, is required in connection with the offer and sale of the 2010 Series A Bonds.

(3) (Reserved);

(4) (Reserved);

(5) an opinion, dated the Closing Date, addressed to the Underwriter, of Underwriter's Counsel, to the effect that the 2010 Series A Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and that the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; in addition, such counsel shall state in its letter containing the foregoing opinion, or in a separate letter, dated the Closing Date, that, without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the sole basis of its conferences with representatives of the Issuer, Bond Counsel and the Underwriter, and its examination of the Bond Documents, nothing has come to its attention that would lead it to believe (excluding therefrom all information in Appendix A, all financial and statistical data and projections included in the Official Statement, including the entirety of Appendix B and all information concerning the Deposit Trust Company and the book-entry only system for the 2010 Series A Bonds, on which it expresses no opinion) that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(6) a certificate of the Issuer, dated the Closing Date, to the effect that the

representations and warranties made by the Issuer in this Bond Purchase Agreement are true and correct in all material respects on and as of the Closing Date as if made on and as of the Closing Date;

(7) (Reserved);

(8) executed counterparts of the Tax Certificate;

(9) a certified copy of the resolution(s) of the Issuer authorizing the execution and delivery of the 2010 Series A Bonds and the Bond Documents, the execution and use of the Official Statement and the use of the Preliminary Official Statement and a certificate of the Issuer, dated the Closing Date to the effect that said resolution(s) have not been modified, amended or repealed;

(10) a certificate of the Issuer, dated the Closing Date, to the effect that no litigation or proceeding is pending, or to its knowledge, threatened in any court or by or before any administrative body contesting the due organization or valid existence of the Issuer or the validity, due authorization or execution of the 2010 Series A Bonds, the Official Statement or this Bond Purchase Agreement, or use of either the Preliminary Official Statement or the Official Statement;

(11) a specimen 2010 Series A Bond for each Series;

(12) a Preliminary Official Statement dated \_\_\_\_\_, 2010, and an Official Statement dated the date of this Bond Purchase Agreement;

(13) (Reserved);

(14) a Continuing Disclosure Certificate by the Issuer;

(15) a certificate dated the date of Closing signed by an authorized officer of the Registrar in form and substance acceptable to the Underwriter and their counsel;

(16) such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter, or counsel to the Underwriter, or Bond Counsel may reasonably request to evidence compliance by the Issuer with legal requirements, the truth and accuracy, as of the time of Closing, of their respective representations herein contained and due performance or satisfaction by the Issuer at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by such parties.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter contained in this Bond Purchase Agreement or if the obligations of the Underwriter to purchase and accept delivery of the 2010 Series A Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and none of the Underwriter or the Issuer shall be under any further obligation hereunder: provided, however, that the respective obligations to indemnify, as provided in Section 10 hereof, and to pay expenses, as provided in Section 11 hereof, shall continue in full force and effect; and provided, further, that the Underwriter may, in its discretion, waive one or more of the conditions imposed by this Bond Purchase Agreement for the protection of the Underwriter and proceed with the Closing.



9. All representations, warranties and agreements of the Issuer contained herein shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the Closing.

10. (a) To the extent allowed by law, the Issuer hereby agrees to indemnify and hold harmless the Underwriter and each person, if any, who is an officer or employee of any Underwriter or who controls the Underwriter within the meaning of the Securities Act of 1933, as amended, and Underwriter Counsel (the "Indemnified Parties"), against any and all losses, claims, damages, liabilities and expenses (or actions in respect thereof) that arise out of or are based upon any untrue statement or alleged untrue statement of any material fact as set forth in the Official Statement or the Preliminary Official Statement (except with respect to the Underwriter, for information under the heading "Underwriting"), or arise out of or are based upon the omission or alleged omission therefrom of any statement or information necessary to make the statements therein not misleading including, without limitation, the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or alleged untrue statement or omission or alleged omission if such settlement is effected with the written consent of the Issuer and the Issuer will reimburse any legal or other expenses reasonably incurred by any such Indemnified Party in connection with investigating or defending any such loss, claim, damage, liability or action. The Issuer will assume the defense of any action against any Indemnified Party based upon allegations of any such loss, claim, damage, liability or action, including the retaining of counsel satisfactory to the Indemnified Party and the payment of counsel fees and all other expenses relating to such defense; provided, however, that any Indemnified Party may retain separate counsel in any such action and may participate in the defense thereof at the expense of such Indemnified Party unless such retaining of separate counsel has been specifically authorized by the Issuer; provided further, that if any Indemnified Party shall have been advised by counsel that there may be legal defenses available to such Indemnified Party which are different from or additional to those available to the Issuer, then the Issuer shall not have the right to assume the defense of such action on behalf of such Indemnified Party, and in such event the said fees and expenses of the Indemnified Party in defending such action shall be borne by such party. The indemnity agreement contained in this Section will be in addition to any liability which the Issuer may otherwise have and shall survive any termination of this Bond Purchase Agreement, the offering and sale of the Bonds and the payment or provision for payment of the Bonds.

(b) Promptly after receipt by an Indemnified Party of notice of the commencement of any action, such Indemnified Party will, if a claim in respect thereof is to be made against the Issuer under this Section, notify the Issuer of the commencement thereof, and thereupon the Issuer (i) will assume the defense thereof if and as required under this Section or (ii) if not required to assume such defense, will be entitled to participate in, and to the extent that they may wish, to assume the defense thereof, with counsel satisfactory to such Indemnified Party, except as otherwise provided in the preceding paragraph. After notice from the Issuer to such Indemnified Party of its assumption of the defense thereof, the Issuer will not be liable to such Indemnified Party under this Section for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation and except as otherwise provided in the preceding paragraph.

(c) In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in subsections (a) and (b) of this Section 10 is for any reason held to be unavailable to the Underwriter, other than in accordance with the terms of such subsections, the Issuer and the Underwriter shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Issuer and the Underwriter, in such proportions that the Issuer is responsible for that portion represented by the percentage that the underwriting discount appearing under the heading "Underwriting" in the Official

Statements bears to the initial public offering price appearing thereon and that the Issuer is responsible for the balance; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act of 1933, as amended), shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this subsection (c), each person, if any, who controls any Underwriter within the meaning of Section 15 of the Securities Act of 1933, as amended, shall have the same rights to contribution as the Underwriter, and each trustee of the Issuer, each officer of the Issuer who signs the Official Statement and each person, if any, who controls the Issuer within the meaning of Section 15 of the Securities Act of 1933, as amended, shall have the same rights to contribution as the Issuer.

(d) The Issuer deems the Preliminary Official Statement final as of its date except for the omission of the offering prices, interest rates, sources and uses, selling prices, selling compensation, aggregate principal amounts, delivery dates, and other terms depending on such matters, and ratifies and approves the prior distribution of the Preliminary Official Statement by the Underwriter. The Issuer authorizes the Official Statement, and the information therein contained, to be used in connection with the public offering and sale of the 2010 Series A Bonds and represents that the Official Statement will be complete as of the date of its delivery to the Underwriter. If between the date hereof and the 90th day following the end of the underwriting period for the 2010 Series A Bonds (within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934), any event shall occur which would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and if in the opinion of the Issuer or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Issuer will cooperate to cause the Official Statement to be amended or supplemented in a form approved by the Underwriter and the Issuer shall bear the reasonable cost of such amendment or supplementation (to the extent the same is not paid from 2010 Series A Bond proceeds). The Underwriter shall, upon the written request of the Issuer, inform the Issuer whether the underwriting period for the 2010 Series A Bonds has ended and, if so, the date on which the underwriting period for the 2010 Series A Bonds ended.

11. (a) All expenses and costs of the Issuer incident to the performance of its obligations in connection with the authorization, issuance, sale and delivery of the 2010 Series A Bonds to the Underwriter, including, but not limited to, the costs of printing of the 2010 Series A Bonds and the typing, printing and distribution of the Preliminary Official Statement and the Official Statement, bond insurance, if any, the fees of consultants and rating agencies, CUSIP Service Bureau charges, the initial fees of the Registrar and its counsel, printing costs, filing fees, and the fees and expenses of Bond Counsel, Underwriter Counsel and the Issuer's counsel in connection with the issuance of the 2010 Series A Bonds other than those set forth in subsection (b) of this Section 11, shall be paid from the proceeds of the 2010 Series A Bonds, to the extent available, and otherwise by the Issuer.

(b) The Underwriter shall pay all of their expenses including, but not limited to: (i) computer expenses, (ii) clearance charges, (iii) Municipal Securities Rulemaking Board fees, (iv) travel, closing and related expenses, and (v) the cost of Federal or other funds.

12. The Issuer agrees to cooperate reasonably with the Underwriter in any endeavor to qualify the 2010 Series A Bonds for offering and sale under the securities or "blue sky" laws of such jurisdictions of the United States as the Underwriter may request, and the Issuer shall, with respect to the offer or sale of the 2010 Series A Bonds file written consent to service of process in any jurisdiction in which such consent may be required by law or regulation so that the 2010 Series A Bonds may be offered or sold.

During the offering period and for a period not exceeding 90 days after the Closing Date, so long as the Underwriter is offering any of the 2010 Series A Bonds the Issuer will not adopt any proposed amendment of or supplement to the Official Statement to which, after having been furnished a copy, the Underwriter shall reasonably object in writing or which shall be reasonably disapproved by Underwriter Counsel or Bond Counsel.

13. ALL REPRESENTATIONS, WARRANTIES, COVENANTS, OBLIGATIONS AND AGREEMENTS OF THE ISSUER CONTAINED IN THIS BOND PURCHASE AGREEMENT SHALL NOT CREATE ANY GENERAL OBLIGATION OR LIABILITY OF THE ISSUER. ANY OBLIGATION OR LIABILITY OF THE ISSUER HEREUNDER SHALL BE LIMITED TO THOSE SOURCES PLEDGED FOR THE PAYMENT OF PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON THE 2010 SERIES A BONDS.

14. Any notice or other communication to be given to the Issuer under this Bond Purchase Agreement may be given by delivering the same in writing to its address set forth above, and any notice or other communication to be given to (i) the Underwriter may be given by delivering the same in writing to Crews & Associates, Inc., 2000 Union National Plaza, 124 West Capitol, Little Rock, Arkansas, 72201, Attention: Rush W. Harding, III.

15. This Bond Purchase Agreement may be executed in any number of counterparts, each of which so executed and delivered shall constitute an original and all together shall constitute but one and the same instrument. Each party to this Bond Purchase Agreement may execute separate signature pages, and upon such execution and delivery shall constitute one and the same instrument.

16. This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of West Virginia.

[Remainder of Page Intentionally Left Blank – Signature Page to Follow]

Very truly yours,  
CREWS & ASSOCIATES, INC.,

By: \_\_\_\_\_  
Authorized Representative

Accepted and agreed to as of the date first written above:

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA)

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT A**

**Maturities**

**Maturity Date  
(December 1)**

**Principal Amount**

**Interest Rate**

**Optional Redemption**

[Insert Following Pricing]

**Mandatory Sinking Fund Redemption**

[Insert Following Pricing]

## EXHIBIT E

## Continuing Disclosure Agreement

### CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is by and between Jefferson County Public Service District (the "Issuer"), and The Bank of New York Mellon (the "Dissemination Agent"), in connection with the issuance of \$\_\_\_\_\_ Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "Bonds"). The Bonds are being issued pursuant to the Resolution adopted by the Board of the Issuer on April 6, 2010 (the "Resolution") and the Certificate of Determinations executed and delivered by the Issuer on \_\_\_\_\_, 2010 (the "Certificate of Determinations"). The Issuer and Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of Agreement. The Agreement is being executed and delivered by the Issuer and Dissemination Agent for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist Crews & Associates, Inc., as the underwriter for the Bonds (the "Underwriter") in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution and the Bond Purchase Agreement dated \_\_\_\_\_, 2010, by and between the Issuer and the Underwriter (the "Bond Purchase Agreement"), which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")) and operating data with respect to the Issuer, provided at least annually, of the type included in those sections of the final official statement with respect to the Bonds attached thereto as Appendix B, which Annual Financial Information shall include Audited Financial Statements if available on the Report Date, and, if not then available, unaudited financial statements.

"Audited Financial Statements" means the Issuer's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the current General Manager, Fiscal Officer or General Counsel of the Issuer.

"Dissemination Agent" shall initially mean The Bank of New York Mellon or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" means the Electronic Municipal Market Access System described in the 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of the Agreement.

"National Repository" shall mean the Municipal Securities Rulemaking Board, Washington, D.C. the sole Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, effective as of July 1, 2009.

"Participating Underwriter" shall mean the original underwriter of the Bonds who is required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and the State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of West Virginia.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of the Agreement, there is no State Repository.

### SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 365 days after the end of the Issuer's fiscal year (presently June 30) (the "Due Date"), commencing with the report for the Fiscal Year ending June 30, 2010, provide to each Repository Annual Financial Information and Audited Financial Statements, which are consistent with the requirements of Section 4 of this Agreement. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Agreement. The Issuer shall provide the Dissemination Agent with a copy of each report filed under this Agreement. If the Issuer's fiscal year changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(a). The Dissemination Agent shall send written notice to the Issuer thirty days prior to the Due Date of the Annual Financial Information and Audited Financial Statements that such information is due by the Due Date.



(b) Not later than fifteen (15) Business Days prior to the Due Date, the Issuer shall provide the Annual Financial Information and Audited Financial Statements to the Dissemination Agent. If by the Due Date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with the first sentence of this subsection (b). If the Dissemination Agent is unable to provide to the Repositories its Annual Financial Information and Audited Financial Statements by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repositories in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Due Date the name and address of each Repository; and

(ii) file a report with the Issuer certifying that the Annual Financial Information and Audited Financial Statements have been provided pursuant to the Agreement, stating the date it was provided and listing the Repositories to which it was provided.

SECTION 4. Content of Annual Financial Information. Within 365 days of the Issuer's 2010 fiscal year-end, and each subsequent fiscal year, the Dissemination Agent shall submit to each Repository information and data of the Issuer for the prior fiscal year, including the Audited Financial Statements, prepared in accordance with generally accepted accounting principles in effect from time to time.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the security;
7. modifications to rights of security holders;
8. bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the securities except as provided by the Ordinance;
11. rating changes.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of any of the Listed Events would be material under applicable federal securities laws, the Issuer shall promptly file with the Dissemination Agent a notice of such occurrence to be provided to each Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Ordinance.

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with each Repository with a copy to the Issuer. Notwithstanding the foregoing, notice of the occurrence of a Listed Event described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Ordinance.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under the Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

SECTION 7. Dissemination Agent. The Bank of New York Mellon, is hereby appointed as Dissemination Agent. The Issuer may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist it in carrying out its obligations under the Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to the Agreement.

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of the Agreement, the Issuer may amend the Agreement, and any provision of the Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Agreement, the Issuer shall describe such amendment in the next Annual Financial Information and Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Financial Information and Audited Financial Statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in the Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the Agreement or any other means of communication, or including any other information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events, in addition to that which is required by the Agreement. If the Issuer chooses to include any information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events in addition to that which is specifically required by the Agreement, the Issuer shall have no obligation under the Agreement to update such information or include it in any future Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the Issuer or Dissemination Agent to comply with any provision of the Agreement (and, at the request of the Original Purchaser), the Dissemination Agent may or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or Dissemination Agent to comply with its obligations under the Agreement. A default under the Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under the Agreement in the event of any failure of the Issuer or Dissemination Agent to comply with the Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and the Issuer agrees to the extent allowed by State law to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Agreement may be given as follows:

To the Issuer:

Jefferson County Public Service District  
340 Edmond Road, Suite A  
Kearneysville, WV 25430

To the Dissemination Agent:

The Bank of New York Mellon  
385 Rifle Camp Road, 3<sup>rd</sup> Floor  
Woodland Park, NJ 07424  
Attention: Corporate Trust Administration

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. The Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Fees. The Issuer agrees to pay all fees and expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs, attorney's fees and other disbursements in the administration and performance of the Dissemination Agent's duties.

SECTION 16. Right to Resign. The Dissemination Agent may resign at any time by providing thirty (30) days' written notice to the Issuer.

SECTION 17. Right to Counsel. The Dissemination Agent shall have the right to consult with counsel in carrying out its duties under the Agreement and to rely upon an opinion of counsel.

[Remainder of Page Intentionally Blank]

Date: June 24, 2010

JEFFERSON COUNTY PUBLIC  
SERVICE DISTRICT

By: \_\_\_\_\_  
Its: \_\_\_\_\_

THE BANK OF NEW YORK MELLON,  
as Dissemination Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Jefferson County Public Service District (West Virginia)

Name of Issue: \$\_\_\_\_\_ Jefferson County Public Service District (West Virginia)  
Sewer Refunding Revenue Bonds, 2010 Series A

Date of Issuance: June 24, 2010

Notice is hereby given that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by its covenant made in connection with the above-referenced bond issue. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated this \_\_\_\_\_.

JEFFERSON COUNTY PUBLIC  
SERVICE DISTRICT

By: \_\_\_\_\_  
Its: \_\_\_\_\_

EXHIBIT F – FORM OF PRLIMINARY OFFICIAL STATEMENT

[SEE THE BODY OF THIS DOCUMENT]



**(THIS PAGE INTENTIONALLY LEFT BLANK)**

# APPENDIX E

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

**Continuing Disclosure Agreement**

**CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (the "Agreement") is by and between Jefferson County Public Service District (the "Issuer"), and The Bank of New York Mellon (the "Dissemination Agent"), in connection with the issuance of \$\_\_\_\_\_ Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "Bonds"). The Bonds are being issued pursuant to the Resolution adopted by the Board of the Issuer on April 6, 2010 (the "Resolution") and the Certificate of Determinations executed and delivered by the Issuer on \_\_\_\_\_, 2010 (the "Certificate of Determinations"). The Issuer and Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of Agreement. The Agreement is being executed and delivered by the Issuer and Dissemination Agent for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist Crews & Associates, Inc., as the underwriter for the Bonds (the "Underwriter") in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution and the Bond Purchase Agreement dated \_\_\_\_\_, 2010, by and between the Issuer and the Underwriter (the "Bond Purchase Agreement"), which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")) and operating data with respect to the Issuer, provided at least annually, of the type included in those sections of the final official statement with respect to the Bonds attached thereto as Appendix B, which Annual Financial Information shall include Audited Financial Statements if available on the Report Date, and, if not then available, unaudited financial statements.

"Audited Financial Statements" means the Issuer's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the current General Manager, Fiscal Officer or General Counsel of the Issuer.

"Dissemination Agent" shall initially mean The Bank of New York Mellon or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" means the Electronic Municipal Market Access System described in the 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of the Agreement.

"National Repository" shall mean the Municipal Securities Rulemaking Board, Washington, D.C. the sole Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, effective as of July 1, 2009.

"Participating Underwriter" shall mean the original underwriter of the Bonds who is required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and the State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of West Virginia.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of the Agreement, there is no State Repository.

### SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 365 days after the end of the Issuer's fiscal year (presently June 30) (the "Due Date"), commencing with the report for the Fiscal Year ending June 30, 2010, provide to each Repository Annual Financial Information and Audited Financial Statements, which are consistent with the requirements of Section 4 of this Agreement. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Agreement. The Issuer shall provide the Dissemination Agent with a copy of each report filed under this Agreement. If the Issuer's fiscal year changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(a). The Dissemination Agent shall send written notice to the Issuer thirty days prior to the Due Date of the Annual Financial Information and Audited Financial Statements that such information is due by the Due Date.

(b) Not later than fifteen (15) Business Days prior to the Due Date, the Issuer shall provide the Annual Financial Information and Audited Financial Statements to the Dissemination Agent. If by the Due Date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with the first sentence of this subsection (b). If the Dissemination Agent is unable to provide to the Repositories its Annual Financial Information and Audited Financial Statements by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repositories in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Due Date the name and address of each Repository; and

(ii) file a report with the Issuer certifying that the Annual Financial Information and Audited Financial Statements have been provided pursuant to the Agreement, stating the date it was provided and listing the Repositories to which it was provided.

SECTION 4. Content of Annual Financial Information. Within 365 days of the Issuer's 2010 fiscal year-end, and each subsequent fiscal year, the Dissemination Agent shall submit to each Repository information and data of the Issuer for the prior fiscal year, including the Audited Financial Statements, prepared in accordance with generally accepted accounting principles in effect from time to time.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the security;
7. modifications to rights of security holders;
8. bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the securities except as provided by the Ordinance;
11. rating changes.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of any of the Listed Events would be material under applicable federal securities laws, the Issuer shall promptly file with the Dissemination Agent a notice of such occurrence to be provided to each Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Ordinance.

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with each Repository with a copy to the Issuer. Notwithstanding the foregoing, notice of the occurrence of a Listed Event described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Ordinance.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under the Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

SECTION 7. Dissemination Agent. The Bank of New York Mellon, is hereby appointed as Dissemination Agent. The Issuer may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist it in carrying out its obligations under the Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to the Agreement.

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of the Agreement, the Issuer may amend the Agreement, and any provision of the Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Agreement, the Issuer shall describe such amendment in the next Annual Financial Information and Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Financial Information and Audited Financial Statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.



SECTION 9. Additional Information. Nothing in the Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the Agreement or any other means of communication, or including any other information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events, in addition to that which is required by the Agreement. If the Issuer chooses to include any information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events in addition to that which is specifically required by the Agreement, the Issuer shall have no obligation under the Agreement to update such information or include it in any future Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the Issuer or Dissemination Agent to comply with any provision of the Agreement (and, at the request of the Original Purchaser), the Dissemination Agent may or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or Dissemination Agent to comply with its obligations under the Agreement. A default under the Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under the Agreement in the event of any failure of the Issuer or Dissemination Agent to comply with the Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and the Issuer agrees to the extent allowed by State law to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Agreement may be given as follows:

To the Issuer:

Jefferson County Public Service District  
340 Edmond Road, Suite A  
Kearneysville, WV 25430

To the Dissemination Agent:

The Bank of New York Mellon  
385 Rifle Camp Road, 3<sup>rd</sup> Floor  
Woodland Park, NJ 07424  
Attention: Corporate Trust Administration

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. The Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Fees. The Issuer agrees to pay all fees and expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs, attorney's fees and other disbursements in the administration and performance of the Dissemination Agent's duties.

SECTION 16. Right to Resign. The Dissemination Agent may resign at any time by providing thirty (30) days' written notice to the Issuer.

SECTION 17. Right to Counsel. The Dissemination Agent shall have the right to consult with counsel in carrying out its duties under the Agreement and to rely upon an opinion of counsel.

[Remainder of Page Intentionally Blank]

Date: June 24, 2010

JEFFERSON COUNTY PUBLIC  
SERVICE DISTRICT

By: \_\_\_\_\_  
Its: \_\_\_\_\_

THE BANK OF NEW YORK MELLON,  
as Dissemination Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Jefferson County Public Service District (West Virginia)

Name of Issue: \$ \_\_\_\_\_ Jefferson County Public Service District (West Virginia)  
Sewer Refunding Revenue Bonds, 2010 Series A

Date of Issuance: June 24, 2010

Notice is hereby given that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by its covenant made in connection with the above-referenced bond issue. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated this \_\_\_\_\_.

JEFFERSON COUNTY PUBLIC  
SERVICE DISTRICT

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

## NEW ISSUE - FULL BOOK ENTRY

*In the opinion of Spilman Thomas & Battle, PLLC, Bond Counsel, based upon an analysis of existing laws, regulations, rules and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the interest on the 2010 Series A Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the 2010 Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. In addition, under the Act, the 2010 Series A Bonds and all interest and income thereon shall be exempt from all taxation by the State of West Virginia, and the other taxing bodies of the State of West Virginia. In addition, Bond Counsel is of the opinion that the 2010 Series A Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" herein for a description of certain provisions of the Code which may affect the tax treatment of interest on the 2010 Series A Bonds for certain Bondholders.*

**\$1,895,000**

### **JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA) SEWER REFUNDING REVENUE BONDS, 2010 SERIES A**

**Dated: Date of Delivery**

**Due: As shown on inside front cover**

The 2010 Series A Bonds (the "2010 Series A Bonds") shall be issued only as fully registered Bonds, and when initially issued, will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases will be made in book-entry form only and beneficial owners of the 2010 Series A Bonds will not receive physical delivery of bond certificates. So long as DTC or its nominee is the registered owner of the 2010 Series A Bonds, payments of the principal of and interest on the 2010 Series A Bonds will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of DTC participants (see "THE 2010 SERIES A BONDS – Book-Entry Bonds" herein). The 2010 Series A Bonds are subject to redemption prior to maturity as more fully stated herein.

The 2010 Series A Bonds are being issued by Jefferson County Public Service District (the "District") to provide funds (i) to currently refund the District's outstanding Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 (the "Series 1998 A Bonds"); (ii) to fund a Debt Service Reserve Fund for the 2010 Series A Bonds; and (iii) to pay costs of issuance of the 2010 Series A Bonds and related costs.

The 2010 Series A Bonds are payable from and secured by the Net Revenues derived from the existing sewerage system of the District on a parity with the lien and pledge thereof in favor of the Prior Bonds (hereinafter defined) and any additions, betterments and improvements thereto and from funds on deposit in the 2010 Series A Bonds Sinking Fund and the 2010 Series A Bonds Reserve Account established therefor. The 2010 Series A Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the 2010 Series A Bonds, or any premium or the interest thereon, except from such net revenues and such funds on deposit for the 2010 Series A Bonds. Neither the credit nor the taxing power, if any, of the District shall be deemed to be pledged to, nor shall a tax ever be levied for, the payment of the principal of, or the premium, if any, or interest on, the 2010 Series A Bonds. The District has no taxing powers.

The Bank of New York Mellon, Woodland Park, New Jersey, is the Registrar and the West Virginia Municipal Bond Commission, Charleston, West Virginia, is the Paying Agent. Interest on the 2010 Series A Bonds is payable semiannually on each April 1 and October 1, commencing October 1, 2010. Principal of the 2010 Series A Bonds is payable annually as set forth on the inside cover page.

The 2010 Series A Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Spilman Thomas & Battle, PLLC, Charleston, West Virginia, Bond Counsel. Certain legal matters will be passed upon for the District by James V. Kelsh, Esquire, Charleston, West Virginia, counsel to the District. Certain legal matters will be passed upon for the Underwriter by Steptoe & Johnson PLLC, Clarksburg, West Virginia, as counsel to the Underwriter.

It is expected that the 2010 Series A Bonds will be available for delivery at DTC, New York, New York, on or about June 24, 2010.

Dated: June 17, 2010.



**\$1,895,000**  
**JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA)**  
**SEWER REFUNDING REVENUE BONDS, 2010 SERIES A**

**2010 SERIES A BOND TERMS**

|           |                                                   |                     |
|-----------|---------------------------------------------------|---------------------|
| \$240,000 | 3.000% Term Bonds due October 1, 2013 at 100.000% | CUSIP No. 473671AN5 |
| \$355,000 | 3.500% Term Bonds due October 1, 2017 at 100.000% | CUSIP No. 473671APO |
| \$195,000 | 3.750% Term Bonds due October 1, 2019 at 100.000% | CUSIP No. 473671AQ8 |
| \$215,000 | 4.000% Term Bonds due October 1, 2021 at 100.000% | CUSIP No. 473671AR6 |
| \$225,000 | 4.100% Term Bonds due October 1, 2023 at 98.485%  | CUSIP No. 473671AS4 |
| \$245,000 | 4.375% Term Bonds due October 1, 2025 at 99.718%  | CUSIP No. 473671AT2 |
| \$420,000 | 4.375% Term Bonds due October 1, 2028 at 98.448%  | CUSIP No. 473671AU9 |

CUSIP data on this cover page is provided by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. The CUSIP numbers on this cover page are being provided solely for the convenience of the Owners of the 2010 Series A Bonds only at the time of issuance of the 2010 Series A Bonds and neither the Underwriter nor the District make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2010 Series A Bonds.

THE 2010 SERIES A BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(A)(2) OF THE SECURITIES ACT. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN.

The information set forth herein has been obtained from the District, public documents, records and other sources that are deemed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2010 Series A Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the District or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the District, since the date hereof.

Statements contained in this Official Statement that involve estimates, forecasts, or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as representations of facts. This Official Statement is submitted in connection with the sale of the securities referred to herein, and may not be reproduced or used, in whole or in part, for any other purposes.

#### Forward Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimated," "forecasted," "intended," "expected," "anticipated," "projected" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD LOOKING STATEMENTS.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2010 SERIES A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SEC OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE



SECURITIES COMMISSIONS OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING SECURITIES COMMISSIONS OR REGULATORY AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

## TABLE OF CONTENTS

Page No.

|                                            |    |
|--------------------------------------------|----|
| INTRODUCTION .....                         | 1  |
| SOURCES AND USES OF FUNDS .....            | 2  |
| THE 2010 SERIES A BONDS .....              | 3  |
| SECURITY FOR THE 2010 SERIES A BONDS ..... | 6  |
| THE SYSTEM .....                           | 9  |
| INVESTMENT CONSIDERATIONS .....            | 22 |
| LITIGATION .....                           | 22 |
| LEGAL MATTERS .....                        | 23 |
| TAX MATTERS .....                          | 23 |
| UNDERWRITING .....                         | 25 |
| ACCOUNTANT'S CALCULATIONS .....            | 25 |
| FINANCIAL STATEMENTS OF THE DISTRICT ..... | 25 |
| CONTINUING DISCLOSURE .....                | 26 |
| MISCELLANEOUS .....                        | 26 |

### Appendices:

|              |                                                                  |
|--------------|------------------------------------------------------------------|
| Appendix A - | General Information Regarding Jefferson County                   |
| Appendix B - | Audited Financial Statements for Fiscal Year Ended June 30, 2009 |
| Appendix C - | Bond Counsel Opinion                                             |
| Appendix D - | Bond Resolution                                                  |
| Appendix E - | Continuing Disclosure Agreement                                  |

---

**JEFFERSON COUNTY PUBLIC SERVICE DISTRICT**

---

**PUBLIC SERVICE BOARD**

Joseph A. Hankins, Chairman  
James D. Cummins, Secretary  
Peter L. Appignani, Treasurer

**ADMINISTRATION**

Susanne Lawton, General Manager

**BOND COUNSEL**

Spilman Thomas & Battle, PLLC  
Charleston, West Virginia

**COUNSEL TO THE DISTRICT**

James V. Kelsh, Esquire  
Charleston, West Virginia

**UNDERWRITER**

Crews & Associates, Inc.  
Charleston, West Virginia

**UNDERWRITER'S COUNSEL**

Steptoe & Johnson PLLC  
Clarksburg, West Virginia

OFFICIAL STATEMENT  
relating to

**\$1,895,000**

**JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A**

**INTRODUCTION**

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning Jefferson County Public Service District (the "District"), the District's sewerage system, as hereinafter described and defined, and the District's Sewer Refunding Revenue Bonds, 2010 Series A (the "2010 Series A Bonds"). The 2010 Series A Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), a bond resolution adopted by the Board of the District on April 6, 2010, as supplemented by the Supplemental Resolution duly adopted by the Board of the District on June 18, 2010 (collectively, the "Resolution").

The 2010 Series A Bonds are being issued to (i) finance the current refunding and repayment in full of the District's outstanding Series 1998 A Bonds (hereinafter defined); (ii) to fund a debt service reserve account for the 2010 Series A Bonds; and (iii) to pay costs of issuance of the 2010 Series A Bonds and related costs.

The District currently has outstanding its: (i) Sewer Revenue Bonds, Series 1988 B (West Virginia Water Development Authority), dated May 5, 1988, issued in the original aggregate principal amount of \$425,767 (the "Series 1988 B Bonds"); (ii) Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of \$971,000 (the "Series 1993 A Bonds"); (iii) Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 (the "Series 1998 A Bonds"); (iv) Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program), dated June 25, 1998, issued in the original aggregate principal amount of \$599,089 (the "Series 1998 B Bonds"); (v) Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund), dated June 25, 1998, issued in the original aggregate principal amount of \$662,039 (the "Series 1998 C Bonds"); (vi) Sewer Revenue Bonds, Series 1999 A (West Virginia SRF Program), dated December 8, 1999, issued in the original aggregate principal amount of \$378,363 (the "Series 1999 A Bonds"); (vii) Sewer Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of \$1,154,889 (the "Series 2000 A Bonds"); and (viii) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated June 18, 2008, issued in the original aggregate principal amount of \$2,005,000 (the "Series 2008 A Bonds") (collectively, hereinafter called the "Prior Bonds"). The resolutions pursuant to which the Prior Bonds were issued are hereinafter collectively called the "Prior Resolutions."

The District also has outstanding its Refunding Sewerage System Bond Anticipation Notes, Series 2010 (the "Notes"), dated January 6, 2010, issued in the aggregate principal amount of \$750,000. The Notes are payable only from and secured by a first lien on (i) the proceeds of revenue bonds or other obligations of the District to be issued subsequent to the issuance of the Notes to permanently finance the costs of certain improvements to the public sewerage system of the District; (ii) the proceeds of any grants received by the District for the Project, and (iii) the Surplus Revenues, if any, of the System. The Notes are subordinate in all respects to the Prior Bonds.

The 2010 Series A Bonds are payable from and secured by the Net Revenues (as defined in the Resolution) derived from the System on a parity with the Prior Bonds and from funds on deposit in the 2010 Series A Bonds Sinking Fund and the 2010 Series A Bonds Reserve Account. The 2010 Series A Bonds shall be senior and prior, with respect to lien on, source of and security for payment, to the Notes.

The District collects Capital Improvement Fees and Capacity Assurance Fees for its public sewerage system (the "System") pursuant to orders of the West Virginia Public Service Commission permitting and directing the same. The Capital Improvement Fees and Capacity Assurance Fees are not a part of the Net Revenues of the System which serve as security for the 2010 Series A Bonds and the Prior Bonds. See "THE SYSTEM- Capital Improvement Fees and Capacity Assurance Fees".

The 2010 Series A Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the 2010 Series A Bonds, or any premium (if any), or the interest thereon, except from such Net Revenues and such funds on deposit for the 2010 Series A Bonds. Pursuant to the Resolution, the District has covenanted and agreed to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby as will always produce Net Revenues equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the 2010 Series A Bonds, the Prior Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the 2010 Series A Bonds, including the Prior Bonds. See "SECURITY FOR THE 2010 SERIES A BONDS - Rate Covenant."

The District may issue additional bonds on a parity with the 2010 Series A Bonds and the Prior Bonds for the purpose of (i) financing the costs of acquisition or construction of additions, betterments and improvements to the System, or (ii) the refunding of any outstanding Bonds, or (iii) all of such purposes, subject, in each case, to certain tests and conditions provided for by the Resolution or the Prior Resolutions (the 2010 Series A Bonds, the Prior Bonds and any such additional parity bonds are sometimes hereinafter referred to as the "Bonds"). See "SECURITY FOR THE 2010 SERIES A BONDS - Additional Parity Bonds."

Brief descriptions of the 2010 Series A Bonds, the Resolution, the System, the District, continuing disclosure and certain provisions of the Act, are set forth in this Official Statement, as well as other information contained in the appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Resolution, provisions of the Act and other applicable laws of the State are qualified in their entirety by reference to each such document or law. References herein to the 2010 Series A Bonds are qualified in their entirety by reference to the form thereof included in the Resolution and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement have the respective meanings given them in the Resolution.

## SOURCES AND USES OF FUNDS

### Sources of Funds

|                                                      |                              |
|------------------------------------------------------|------------------------------|
| Par Amount of 2010 Series A Bonds                    | \$1,895,000.00               |
| Less: Original Issue Discount                        | (\$10,618.05)                |
| Funds on Deposit in Series 1998 A Bonds Sinking Fund | \$100,016.07                 |
| Funds on Deposit in Series 1998 A Bonds Reserve Fund | <u>\$162,911.46</u>          |
| <b>TOTAL</b>                                         | <b><u>\$2,147,309.48</u></b> |

### Uses of Funds

|                                     |                              |
|-------------------------------------|------------------------------|
| 2010 Series A Bonds Reserve Account | \$153,856.26                 |
| Escrow Deposit Fund*                | \$1,907,818.54               |
| Deposit to Cost of Issuance Fund**  | \$38,259.68                  |
| Underwriting Discount               | <u>\$47,375.00</u>           |
| <b>TOTAL</b>                        | <b><u>\$2,147,309.48</u></b> |

\* An amount of the proceeds of the 2010 Series A Bonds together with other moneys or securities sufficient to accomplish the refunding of the Series 1998 A Bonds.

\*\* Includes: Rounding Amount and professional fees associated with the issuance of the 2010 Series A Bonds.

## THE 2010 SERIES A BONDS

### General

Interest on the 2010 Series A Bonds will accrue from the date of delivery and will be payable October 1, 2010 and semi-annually thereafter (each April 1 and October 1) in each year to maturity. Such interest will be paid by check to the registered owner on each such interest payment date at his address as shown on the registration books kept for that purpose by the Registrar as of the 15th day of the month preceding each such Interest Payment Date. In the case of an owner of \$500,000 or more of the Bonds, interest may be paid to such owner by wire transfer to a domestic bank account specified in writing to the Paying Agent at least five days prior to an Interest Payment Date.

### Book-Entry Bonds

The 2010 Series A Bonds will be available to individual purchasers in book-entry form only. Purchasers of the 2010 Series A Bonds will not receive certificates representing their interests in the 2010 Series A Bonds purchased.

The Depository Trust Company ("DTC"), New York, New York will act as securities depository ("Securities Depository") for the 2010 Series A Bonds. The 2010 Series A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the 2010 Series A Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited purpose trust company organized under New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need of physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange LLC, the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of the 2010 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Series A Bonds in DTC's records. The ownership interest of each actual purchaser of each 2010 Series A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2010 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2010 Series A Bonds, except in the event that use of the book-entry system for the 2010 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2010 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2010 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2010 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their

customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

All redemption notices shall be sent to Cede & Co. If less than all of the 2010 Series A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2010 Series A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2010 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the 2010 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividends to Cede & Co., (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2010 Series A Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

For every transfer and exchange of the 2010 Series A Bonds, the Registrar may charge DTC, and DTC may charge the Participants and the Participants may charge the Beneficial Owners, sums sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

In the event the District determines that it is in the best interest of the Beneficial Owners that they may be able to obtain 2010 Series A Bond certificates, the District may notify DTC and the Registrar, whereupon DTC will notify the Participants, of the availability through DTC of 2010 Series A Bond certificates. In such event, the Registrar shall cause to be issued, transferred and exchanged 2010 Series A Bond certificates as requested by DTC as Bondholder in appropriate amounts. DTC may determine to discontinue providing its service with respect to the 2010 Series A Bonds at any time by giving notice to the District and the Registrar and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor Securities Depository), the District and the Registrar shall be obligated to deliver 2010 Series A Bond certificates as described in the Resolution. In the event the 2010 Series A Bond certificates are issued, the provisions of the Resolution shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal or redemption price of and interest on such 2010 Series A Bond certificates. Whenever DTC

requests the District and the Registrar to do so, the Registrar and the District will cooperate with DTC in taking appropriate action after reasonable notice (a) to make available one or more separate certificates evidencing the 2010 Series A Bonds to any Participant having the 2010 Series A Bonds credited to its DTC account or (b) to arrange for another securities depository to maintain custody of certificates evidencing the 2010 Series A Bonds.

### **Optional Redemption**

The 2010 Series A Bonds are not subject to optional redemption prior to October 1, 2015. At the option of the District, the 2010 Series A Bonds will be subject to redemption prior to maturity on and after October 1, 2015, as a whole at any time and in part on any Interest Payment Date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price equal to the principal amount being redeemed, plus interest accrued to the date fixed for redemption.

### **Mandatory Sinking Fund Redemption**

The 2010 Series A Bonds maturing October 1, 2013, October 1, 2017, October 1, 2019, October 1, 2021, October 1, 2023, October 1, 2025 and October 1, 2028, are subject to mandatory redemption prior to their stated Maturity Date, in part, from payments deposited in the 2010 Series A Bonds Redemption Account, on October 1 in the years set forth below. The redemption price will be 100% of the principal amount of the 2010 Series A Bonds to be so redeemed plus accrued interest, if any, to the redemption date. On the following dates, such maturity of 2010 Series A Bonds shall be redeemed or paid in the amounts set forth opposite each such date:

#### Maturing October 1, 2013

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2011        | \$80,000                |
| 2012        | \$80,000                |
| 2013        | \$80,000                |

#### Maturing October 1, 2017

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2014        | \$85,000                |
| 2015        | \$85,000                |
| 2016        | \$90,000                |
| 2017        | \$95,000                |

#### Maturing October 1, 2019

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2018        | \$95,000                |
| 2019        | \$100,000               |

#### Maturing October 1, 2021

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2020        | \$105,000               |
| 2021        | \$110,000               |



Maturing October 1, 2023

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2022        | \$110,000               |
| 2023        | \$115,000               |

Maturing October 1, 2025

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2024        | \$120,000               |
| 2025        | \$125,000               |

Maturing October 1, 2028\*

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2026        | \$135,000               |
| 2027        | \$140,000               |
| 2028        | \$145,000               |

\*Denotes final maturity

**SECURITY FOR THE 2010 SERIES A BONDS**

The 2010 Series A Bonds are special obligations of the District and are payable as to principal, premium, if any, and interest solely from the sources described below. The District is under no obligation to pay the 2010 Series A Bonds except from said sources.

**Sources of Payment**

The payment of the debt service on the 2010 Series A Bonds shall be secured equally and ratably by a first lien on the Net Revenues derived from the System, on a parity with the lien on such Net Revenues in favor of the owners of the Prior Bonds, and senior and prior, with respect to lien on, source of and security for payment to the Notes. Such Net Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the 2010 Series A Bonds and the Prior Bonds and to make all other payments provided for in the Resolution, are irrevocably pledged to such payments as they become due.

**Rate Covenant**

The District covenants and agrees in the Resolution that the schedule of rates and charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the 2010 Series A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the 2010 Series A Bonds, including the Prior Bonds.

**Reserve Account**

Pursuant to the Resolution, there will be established with the Commission within the 2010 Series A Bonds Sinking Fund, the 2010 Series A Bonds Reserve Account in an amount equal to the 2010 Series A Bonds Reserve Requirement. The "2010 Series A Bonds Reserve Requirement" is defined under the Resolution, as of any date of calculation, as the lesser of (i) 10% of the original stated principal amount of the 2010 Series A Bonds; (ii) the maximum amount of principal and interest which will become due on the 2010 Series A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the 2010 Series A Bonds. Moneys in the 2010 Series A Bonds Reserve Account shall be used only to pay principal of and interest on the 2010 Series

A Bonds as due, when amounts in the 2010 Series A Bonds Sinking Fund are insufficient therefor; provided, that no payments shall be required to be made into the 2010 Series A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the 2010 Series A Bonds Reserve Requirement. The District shall transfer to the 2010 Series A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the 2010 Series A Bonds Reserve Account below the 2010 Series A Bonds Reserve Requirement or any withdrawal from the 2010 Series A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the 2010 Series A Bonds Reserve Account results in a determination that the amount of moneys and the value of the Qualified Investments deposited to the credit of the 2010 Series A Bonds Reserve Account is less than the 2010 Series A Bonds Reserve Requirement, or (b) any amount is withdrawn from the 2010 Series A Bonds Reserve Account for deposit into the 2010 Series A Bonds Sinking Fund.

### **Renewal and Replacement Fund**

The District is required (as previously set forth in the 1998 Resolution and not in addition thereto) to transfer from the Revenue Fund to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any reserve account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required) shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

### **Application of Revenues**

The entire Gross Revenues derived from the operation of the System are to be deposited in the Revenue Fund established with a state banking corporation or national banking association selected by the District (the "Depository Bank"), for disposition in the following order of priority: (1) first, to pay the current monthly Operating Expenses of the System; (2) next, remit to the Commission (i) the amounts required by the Prior Resolutions for deposit to the Sinking Funds of the Prior Bonds for payment of interest, if any, on and the principal of the Prior Bonds, (ii) for monthly deposit in the 2010 Series A Bonds Sinking Fund, a sum equal to 1/6 of the amount of interest which will become due on the 2010 Series A Bonds on the next ensuing semiannual Interest Payment Date, and (iii) for monthly deposit in the 2010 Series A Bonds Sinking Fund, a sum equal to 1/12 of the amount of principal which will mature or be redeemed and become due on the 2010 Series A Bonds on the next ensuing Principal Payment Date or mandatory redemption date (provided, that until the first Interest Payment Date, the District shall make equal monthly payments into the Sinking Funds as will be sufficient to pay principal and interest due on the first principal and interest payment date); (3) next, remit to the Commission the amounts required by the Prior Resolutions to be deposited in the respective Reserve Accounts of the Prior Bonds, and then for restoration of any deficiency in the funding of the 2010 Series A Bonds Reserve Account; and (4) next, for monthly transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of Gross Revenues each month, exclusive of any payments for account of any Reserve Account. As described under "Sources of Payment" above, the 2010 Series A Bonds and the Prior Bonds are secured by a first parity lien on the Net Revenues of the System.

### **Enforcement of Collections**

The District covenants in the Resolution to diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals and other charges that shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the West Virginia Public Service Commission and other laws of the State. Under the Act, all such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

The District further covenants and agrees that it will, to the full extent permitted by law and regulations promulgated by the PSC, discontinue and shut off the services and facilities of the System, and any services and facilities of the waterworks system if so owned by the District, to all delinquent users of the System (or waterworks system) and will not restore such services of the System, or the water distribution services of the District, until all billing for charges for the services and facilities of the System, plus reasonable interest and penalty charges for the restoration of service, has been fully paid. (See "THE SYSTEM - Customer Statistics"). If the waterworks system

is not owned by the District, the District shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

### **Additional Parity Bonds**

The Resolution provides for the issuance of additional bonds on a parity with the 2010 Series A Bonds and the Prior Bonds (limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable) with respect to lien on, source of and security for payment from Net Revenues of the District's sewerage system (the "Parity Bonds") for the following purposes and under the following conditions:

No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions and improvements to the System or refunding any series of Bonds, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountant, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

- A. The Bonds then Outstanding;
- B. Any Parity Bonds theretofore issued pursuant to the provisions contained in the Resolution then Outstanding; and
- C. The Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates adopted by the District and approved by the PSC, the period for appeal of which has expired prior to the date of issuance of such additional Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountant, on account of increased rates, rentals, fees and charges for the System adopted by the District and approved by the PSC, the period for appeal of which has expired prior to issuance of such additional Parity Bonds.

All covenants and other provisions of the Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with the Resolution. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The District shall comply fully with all the increased payments into the various funds and accounts created in the Resolution required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to the Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the 2010 Series A Bonds on such revenues. The District shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in the

Resolution, equally, as to lien on and source of and security for payment from such revenues, with the 2010 Series A Bonds.

No Parity Bonds shall be issued at any time, however, unless all the payments into the respective funds and accounts provided for in the Resolution with respect to any Bonds then outstanding, and any other payments provided for in the Resolution, shall have been made in full as required to the date of delivery of the Parity Bonds, and the District shall then be in full compliance with all the covenants, agreements and terms of the Resolution.

## **THE SYSTEM**

### **History and Development**

The District was created pursuant to an Order entered by The County Commission of Jefferson County on December 1, 1983. The District was created exclusively for the purposes provided in the Act, initially to provide solely sewerage services, with its powers being subsequently expanded to also permit the provision of waterworks services. However, the District does not currently provide water treatment or distribution services to its customers. The service territory of the District includes the entire geographic area known as Jefferson County, with the exception of the service territories served by municipal utility systems and other public service districts.

For the District's fiscal year ending June 30, 2009, the District had 2,083 residential, 136 commercial, 8 industrial and 9 public authority sewerage customers, for a total customer base of 2,236 units. For fiscal year ending June 30, 2009, the District generated total revenues from its sewerage system of \$1,850,988, of which \$315,144.84 or 16.9% was generated from the District's top ten sewerage customers. The District's sewerage system reported a \$115,825 net loss in its fiscal year ending June 30, 2009 audited financial statements. The District petitioned, and obtained approval from, the Public Service Commission of West Virginia, pursuant to a Commission Order entered on April 7, 2010, in Case No. 09-1915-PSD-42T-PC, for a sewer rate increase effective April 9, 2010. The increased sewer rates and charges represent a 7.3% increase over the rates previously in effect.

The revenues generated by the sewer rates which became effective on April 9, 2010, will be sufficient, in the opinion of the District's accountants, CoxHollidaPrice LLP, to produce revenues sufficient to pay the costs of operating and maintaining the System, funding the debt service requirements for the 2010 Series A Bonds and the Prior Bonds, and meeting the rate coverage requirements of the 2010 Series A Bonds and the Prior Bonds.

The District charges Capital Improvement Fees and Capacity Assurance Fees each in the amount of \$7,500 per equivalent dwelling unit under the conditions and strictly for the purposes which have been approved by the Public Service Commission. The Capital Improvement Fees and Capacity Assurance Fees are not a part of the Net Revenues of the System which serve as security for the 2010 Series A Bonds and the Prior Bonds.

A portion of the wastewater collected by the District's sewerage system is treated by the City of Charles Town pursuant to a Sewer Service Agreement, dated April 29, 1988 (the "1988 Agreement"), by and between Charles Town, the District and the Corporation of Ranson ("Ranson"), as the same is amended by the Amendment to Sewer Service Agreement, dated July 11, 2005 (the "Amendment to 1988 Agreement"), by and between such parties, and as the same has been amended pursuant to Order of the Public Service Commission. The 1988 Agreement, together with the Amendment to 1988 Agreement, is to remain in full force and effect until such time as the revenue bonds contemplated by the Amendment to 1988 Agreement are paid and discharged. In the event the bonds are defeased and the balance due thereon is refinanced by the issuance of new revenue bonds, a party may opt into a payment schedule for the refinanced bonds, in which case the Amendment to 1988 Agreement shall continue in full force and effect with respect to such party until the reissued revenue bonds are paid and discharged; or, alternatively, a party may elect to pay in full an amount of money sufficient to allow that party's share of the balance of the revenue bond debt contemplated by the Amendment to 1988 Agreement to be defeased.

### **Public Service Board**

The District is governed by a three-member Public Service Board. The members are appointed by the County Commission for staggered six-year terms. Annually, at the first calendar year meeting, the Board must elect

officers including a Chairman, a Secretary and a Treasurer. The Secretary and Treasurer need not be members of the Board. The Board members, officers and terms are listed below:

| Board Member                  | Term                |
|-------------------------------|---------------------|
| Joseph A. Hankins, Chairman   | 12/1/2005-11/30/11  |
| James D. Cummins, Secretary   | 12/13/2007-11/30/13 |
| Peter L. Appignani, Treasurer | 12/10/2009-11/30/15 |

At a special meeting of the Board held on June 18, 2010, the Board appointed Peter L. Appignani to serve as Acting Chairman in the absence of Joseph E. Hankins for the issuance of the 2010 Series A Bonds. The Board employs a General Manager for the System and other personnel and consultants. Susanne Lawton joined the District staff in 2002 and has served as General Manager for the past 8 years. Ms. Lawton is responsible for the operation, maintenance and administration of the District. In addition to the General Manager, the District employs a Finance Manager, Operations Manager, six other full-time employees and one part time employee.

James V. Kelsh, Esquire, Charleston, West Virginia, provides legal services to the District and CoxHollidaPrice LLP, Certified Public Accountants and Consultants, Martinsburg, West Virginia, provides accounting services for the District. Engineering services are obtained by the District as needed for project development and construction.

### **Summary of Future Capital Improvement Plans**

The District has planned a number of improvements to its existing wastewater treatment system over the next ten (10) years in order to provide for the expanding number of residences and businesses that the service area of the District has experienced in recent years. The following is a summary of the ongoing capital improvements being undertaken by the District with respect to its wastewater treatment system together with the planned capital improvements for the next ten (10) years.

Flowing Springs Sewer Treatment Plant - The District is in the planning phase of construction of the Flowing Springs wastewater treatment plant. The District estimates the cost of the one million gallons a day treatment plant to be approximately \$26,500,000. The District is planning to finance this project with bond financing through the West Virginia Department of Environmental Protection Clean Water State Revolving Loan Fund in the amount of \$25,500,000, at 0% interest for thirty years with a ½% administration fee. The District has also received a \$1,000,000 funding commitment from the Jefferson County Development Authority. The West Virginia DEP is currently reviewing the plans and specifications for the project and application has been made to the West Virginia Public Service Commission for approval of this project and the related financing therefore.

Norborne Glebe Project - The Norborne Glebe project is an alternate main line extension that will service the Norborne Glebe subdivision. At full build-out the project would service approximately 1,000 homes, of which 71 homes are currently on the District's billing system. This project is being built by the developer and upon completion will be turned over to the District. Phase I was turned over to the District in September 2005. The estimated date of completion for the remainder of the project is 2015 with an estimated total cost of \$500,000.

Sheridan Project - The Sheridan development is currently being served by the privately owned Old Standard sewage treatment plant. There is an alternate main line extension agreement indicating the District will serve the entire development when the Old Standard sewage treatment plant is fully conveyed to the District. There are approximately 37 homes currently constructed in the development and the full build out of Sheridan is projected to be 178 homes. The homes in Sheridan are customers of the developer until the developer conveys the plant to the District.

Old Standard - The Old Standard sewage treatment plant was constructed on 2.5 acres of land that has been conveyed to the District by the Developer of Sheridan and the Old Standard sewage treatment plant. According to agreements between the Developer and the District, the Developer will turn the treatment plant over to the District for \$1.00 along with the customers from Sheridan. At this point, it is anticipated that the plant would be recorded as an asset in the amount of \$4,500,000 on the District's books. The District anticipates that this will take place within the next couple of years.

**Wormald/Beallair Project** - This is an alternate mainline extension that will service the Wormald/Beallair subdivision. The project is projected to service approximately 627 homes upon final build out, of which 50 units are currently online. Homes for which a commitment letter has not been executed timely will pay a flat monthly rate. This project is being built by the developer and upon completion will be turned over to the District for \$1.00. The estimated cost is currently unavailable. The District has accepted 1 pump station and lines for 1-49.

**Spruce Hill North Project** - The Spruce Hill North project is an alternate mainline extension that will service the Spruce Hill North subdivision. The project will service approximately 119 homes upon final build out, of which 39 units are currently on the District's billing system. This project is being built by the developer and upon completion will be turned over to the District. The total estimated cost is approximately \$100,000.

**Jefferson Crossing II** - Jefferson Crossing II is a shopping center with a main "strip" consisting of a grocery store as the anchor and approximately four other stores. It has two other "strips" with a number of stores in each, two main restaurants, a car wash and two medical office buildings. Currently there are 24 customer bills each month, some covering a number of units. A few large lots remain to be built upon in the future.

### Customer Statistics

The table and chart below depict the customer base of the District for the last 5 fiscal years.

| Customer Description | ---June 30, 2005--- |            | ---June 30, 2006--- |            | ---June 30, 2007--- |            | ---June 30, 2008--- |            | ---June 30, 2009--- |            |
|----------------------|---------------------|------------|---------------------|------------|---------------------|------------|---------------------|------------|---------------------|------------|
|                      | Customer Count      | Change (#) | Customer Count      | Change (#) | Customer Count      | Change (#) | Customer Count      | Change (#) | Customer Count      | Change (#) |
| Residential          | 1,827               | 287        | 1,877               | 50         | 1,834               | 107        | 1,930               | 96         | 2,083               | 153        |
| Commercial           | ----                | ----       | ----                | ----       | 148                 | 15         | 142                 | (6)        | 136                 | (6)        |
| Industrial           | ----                | ----       | ----                | ----       | 8                   | ----       | 8                   | ----       | 8                   | ----       |
| Public Authorities   | ----                | ----       | ----                | ----       | 9                   | ----       | 9                   | ----       | 9                   | ----       |
| Totals:              | 1,827               | 287        | 1,877               | 50         | 1,999               | 122        | 2,089               | 90         | 2,236               | 147        |

Source: Jefferson County Public Service District; Public Service Commission Annual Reports

The following table sets forth the ten (10) largest sewer customers of the District and the percentage of total sewer revenues as of June 30, 2009:

| Customer<br>Name            | Revenues     | Percentage |
|-----------------------------|--------------|------------|
| Job Corp                    | \$72,797.42  | 3.9 %      |
| Cranes Meadow Apartments    | \$46,121.44  | 2.5 %      |
| Holiday Inn Express         | \$41,166.90  | 2.2 %      |
| Genesis Eldercare           | \$35,759.75  | 1.9 %      |
| Mockingbird Hill (Parkview) | \$29,544.88  | 1.6 %      |
| Mockingbird Hill (Woodland) | \$28,638.21  | 1.5 %      |
| Royal Vendors               | \$16,110.17  | 0.9 %      |
| Applebee's                  | \$15,487.95  | 0.8 %      |
| Martin's Grocery Store      | \$14,822.93  | 0.8 %      |
| Southern Courts (Turf)      | \$14,695.19  | 0.8 %      |
| Totals:                     | \$315,144.84 | 16.9 %     |

Source: Jefferson County Public Service District

The table and chart below depict the volume of water sold to the customers of the District on which sewer billings are based, for the last 5 fiscal years.

| Customer<br>Description | June 30, 2005    |               | June 30, 2006    |               | June 30, 2007    |               | June 30, 2008    |               | June 30, 2009    |               |
|-------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
|                         | Gallons<br>Sold* | Change<br>(%) | Gallons<br>Sold* | Change<br>(%) | Gallons<br>Sold* | Change<br>(%) | Gallons<br>Sold* | Change<br>(%) | Gallons<br>Sold* | Change<br>(%) |
| Residential             | 78,306           | -----         | 89,790           | 14.7%         | 87,247           | (2.8%)        | 96,199           | 10.3%         | 96,199           | -----         |
| Commercial              | 19,180           | -----         | 19,853           | 3.5%          | 31,074           | 56.5%         | 30,901           | (1%)          | 38,009           | 23%           |
| Industrial              | 3,354            | -----         | 3,480            | 3.8%          | 5,227            | 50.2%         | 4,750            | (9.1%)        | 4,750            | ---           |
| Public**<br>Authorities | 9,605            | -----         | 11,302           | 17.7%         | 6,223            | (44.9%)       | 15,754           | 153%          | 15,754           | ---           |
| Totals:                 | 110,445          | -----         | 124,425          | 12.7%         | 129,771          | 4.3%          | 147,604          | 13.7%         | 154,712          | 4.8%          |

\* Gallons are in thousands per year.

\*\* For the fiscal year ending June 30, 2007, the District adjusted one of its public authority customer's billings as a result of a billing error.

Source: Jefferson County Public Service District; Public Service Commission Annual Reports

## Rates

Pursuant to the Act, the sewer rates and charges of the District are set by the Public Service Commission of West Virginia for the use of and the service rendered by the sewerage system of the District sufficient for the payment of sums required to be paid into the various sinking and reserve funds and to provide for the repair, replacement, maintenance and operation of the System.

## **Current Rates**

The table below provides the current sewer rates for the customers of the District as approved by the Public Service Commission:

### **JEFFERSON COUNTY PUBLIC SERVICE DISTRICT CASE NO. 09-1915-PSD-42T-PC**

#### **APPROVED RATES**

##### **APPLICABILITY**

Applicable within the entire territory served.

##### **AVAILABILITY**

Available for general domestic, commercial and industrial service.

##### **RATES (customers with a metered water supply)**

\$12.71 per thousand gallons of metered water usage.

##### **MINIMUM CHARGE**

No bill will be rendered for less than \$31.78 per month.

##### **FLAT RATE CHARGE (customers with non-metered water supply)**

Equivalent of 4,500 gallons of water usage, \$57.20 per month.

##### **MULTIPLE OCCUPANCY**

For unmetered trailer parks, the monthly charge for services shall be equal to the number of units multiplied by the unmetered charge provided above.

##### **TRANSPORTATION CHARGE**

A monthly charge of \$1,009 per month will be imposed upon the City of Charles Town for reimbursement of fixed debt associated with lift stations needed to transport Charles Town's sewage from the former Sanitary Associates service area. The charge will be imposed until the indebtedness is satisfied. In addition to the monthly charge of \$1,009, a transportation charge of \$1.65 per thousand gallons shall apply to all flows from the former Sanitary Associates area.

##### **DELAYED PAYMENT PENALTY**

The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

##### **TAP FEE**

The following charge is to be made whenever the utility installs a new tap to serve an applicant:

A tap fee of \$250.00 will be charged to customers applying for service outside of a certificate proceeding before the Commission for each new tap to the system.

##### **DISCONNECT – RECONNECT FEES**

Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement with the City of Charles Town, a disconnection fee of \$10.00 shall be charged. Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement with Jefferson Utilities, Inc., a disconnection fee of \$20.00 shall be charged.

Whenever water service, which has been previously disconnected or otherwise withheld for non-payment of a sewer bill in conjunction with a water service termination agreement with the City of Charles Town is



reconnected, a reconnection fee of \$10.00 shall be charged. Whenever water service, which has been previously disconnected or otherwise withheld for non-payment of a sewer bill in conjunction with a water service termination agreement with Jefferson Utilities, Inc., is reconnected, a reconnection fee of \$20.00 shall be charged.

#### LEAK ADJUSTMENT INCREMENT

\$4.82 per M gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. The rate is used to calculate consumption above the customer's historical usage.

#### RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the sewer utility up to a maximum of \$25.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

#### CAPITAL IMPROVEMENT FEE

As used in this section, a "Developer" is defined as "a person, corporation, or entity who is in the business of land and/or commercial or housing development for profit, or a person, corporation, or entity who requests an alternate main line extension that includes the installation of mains by the person, corporation or entity."

As used in this section, a "Previously Developed Tract" is defined as property previously subdivided for commercial or housing development, for profit.

On and after January 14, 2009, Developers and resale customers (in instances of developer connections), and those seeking a new sewer connection for a Previously Developed Tract shall pay to the District a capital improvement fee (CIF) for connections made to the sewer system of an unserved structure or facility. For Developers and those seeking a new sewer connection for a Previously Developed Tract, the CIFs are due as of the date of the entry into the final sewer availability agreement with the Jefferson County Public Service District. For resale customers making developer connections, the CIF is due the month following the date a new customer of the District's resale customer to which the CIF is applicable connects to the facilities of the District's resale customer.

The capital improvement fee shall be \$7,500.00 per equivalent dwelling unit (EDU). Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth below.

#### CAPITAL ASSURANCE FEE

Developers, those seeking to assure capacity for a Previously Developed Tract, and resale customers of the District (in instances of developer connections) may execute a Capacity Assurance Agreement (CAA) and pay a Capital Assurance Fee (CAF) to the District in the amount of \$7,500.00 per EDU. Execution of the CAA and payment of the CAF shall entitle the payee to a reservation of capacity as provided in the CAA.

At such time as the reserved capacity is called upon by the entity paying a CAF, the CAF will be treated by the District as a credit, without interest, against the District's then effective CIF. Subject to this credit, entities that have paid a CAF remain responsible for payment of the District's then effective CIF for construction on property identified in the CAA.

#### **Billing and Collections**

The District renders a monthly bill to all customers of the System. Payments are due 20 days after the billing date. If a bill remains unpaid beyond the due date, a 10 percent penalty is added to the delinquent account and delinquency procedures are initiated, beginning with a past due notice which is sent the day after the date payment becomes delinquent. The past due notice provides a 10-day period to render payment. Following this 10-day period, the customers are then notified by phone or in person that they have 24 hours to pay the past due balance or water service will be disconnected (in the case of metered customers). At this time unmetered customers are also directed that their delinquent account will be referred for collection and the placement of a lien upon the property served if payment is not rendered. Following these notices, if payment is not received from unmetered customers the District

refers the account for collection in order to obtain a judgment against the account owner and thereupon place a lien upon the real property which is served by the District. For unmetered customers water service on a delinquent account remains terminated until payment of the sewer account is made. A disconnection and reconnection charge of \$20.00 each for Jefferson Utilities customers, and a \$10.00 charge each for Charles Town customers is required to reinstate a previously delinquent account. The District has a written Water Service Termination Agreement with the City of Charles Town, which is dated April 2, 1990, and which is effective for successive ten year periods thereafter unless terminated in writing by one of the parties thereto. The District does not presently have a written Water Service Termination Agreement with Jefferson Utilities, which serves approximately 950 of the District's customers. The District follows the rules established by the West Virginia Public Service Commission concerning collection of delinquent accounts.

The District has a policy of writing off accounts determined to be uncollectable. Also, the District has made a provision with respect to operating expenses on its balance sheets pertaining to the System for doubtful accounts, as follows:

#### Summary of Doubtful Accounts

| Year Ended<br>June 30 | Provision for<br>Doubtful Accounts | Year Ended<br>June 30 | Provision for<br>Doubtful Accounts |
|-----------------------|------------------------------------|-----------------------|------------------------------------|
| 2009                  | \$10,000                           | 2007                  | \$10,000                           |
| 2008                  | \$10,000                           | 2006                  | \$10,000                           |

Deferred payment plans are available for any residential customer who can demonstrate inability to pay a System bill in full and that service termination would be dangerous to such customer's health or safety.

The table and chart below depict the operating revenues of the District's sewerage system, for the last 5 fiscal years.

| Customer<br>Description | June 30, 2005         |               | June 30, 2006         |               | June 30, 2007         |               | June 30, 2008         |               | June 30, 2009         |               |
|-------------------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
|                         | Operating<br>Revenues | Change<br>(%) | Operating<br>Revenues | Change<br>(%) | Operating<br>Revenues | Change<br>(%) | Operating<br>Revenues | Change<br>(%) | Operating<br>Revenues | Change<br>(%) |
| Residential             | 1,377,603             | ----          | 1,490,794             | 8.2%          | 1,234,242             | (17.2%)       | 1,258,236             | 1.9%          | 1,302,898             | 3.5%          |
| Commercial              | ----                  | ----          | ----                  | ----          | 409,042               | ----          | 389,158               | (4.9%)        | 364,775               | (6.3%)        |
| Industrial              | ----                  | ----          | 40,560                | ----          | 62,189                | 53.3%         | 51,797                | (16.7%)       | 25,551                | (50.7%)       |
| Public<br>Authorities   | ----                  | ----          | 130,878               | ----          | 71,350                | (45.5%)       | 171,889               | 140.9%        | 108,504               | (36.9%)       |
| Other                   | ----                  | ----          | 48,177                | ----          | 50,567                | 5.0%          | 57,438                | 13.6%         | 49,260                | (14.2)        |
| Totals:                 | 1,377,603             | ----          | 1,710,409             | 24.16%        | 1,827,390             | 6.8%          | 1,928,518             | 5.5%          | 1,850,988             | (4.0%)        |

Source: Jefferson County Public Service District; Public Service Commission Annual Reports

During fiscal year ended June 30, 2009, the District experienced a reduction in sewer revenues from industrial customers as a result of the general downturn in the national and local economies for such year. In addition, one of the District's larger customers, Job Corp, substantially decreased their usage for such fiscal year. Increased billings for the residential customer class assisted to cover the declines in the industrial and public authority customer classes.

The District has covenanted to diligently enforce and collect all fees and charges as described in "SECURITY FOR THE 2010 SERIES A BONDS -- Enforcement of Collections" herein.

## **System Budget and Expenditure**

In accordance with the Act, the management of the District shall prepare and submit to the Board of the District a tentative budget. Such tentative budget shall be considered by the Board and, subject to any revisions or amendments that may be determined by the Board, shall be adopted as the budget for the ensuing fiscal year. No expenditures for operation and maintenance expenses in excess of the budget shall be made during such fiscal year unless unanimously authorized and directed by the Board.

## **Method of Accounting**

The financial statements of the District are prepared in accordance with Generally Accepted Accounting Principles (GAAP). As a proprietary fund type, the District applies all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

Accounts of the District are organized on the basis of fund accounting under one fund, an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, except for the immaterial modification concerning inventories listed in the notes to the District's financial statements.

CoxHollidaPrice LLP, Certified Public Accountants and Consultants, Martinsburg, West Virginia, audited the records of the District for the fiscal years ended June 30, 2009 (See "Appendix B - Audited Financial Statement for Fiscal Year Ended June 30, 2009").

## **Retirement System**

All full-time employees of the District are eligible and must participate in the state Public Employees Retirement System ("PERS"). The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after reaching the age of 60 and accumulating 5 years or more of credited service in force. Benefits generally vest in varying degrees once a member attains 5 or more years of credited service in force. Employees who retire at age 60 with 5 or more years of credited service in force are entitled to pension payments for the rest of their lives equal to 2% of their final, three-year average salary times the number of years for which they were employed by a participant in the State PERS.

Pension provisions include deferred allowance whereby an employee may terminate his or her employment with the District after accumulating 5 or more years of credited service in force, but before reaching the age of 60. If the employee does not withdraw his or her accumulated contributions, the employee is entitled to certain pension benefits in accordance with the West Virginia Public Employees Retirement Act.

Pension provisions include annuity options to provide benefits to a member's nominated beneficiary if so elected. In addition, disability retirement is provided for members who meet certain requirements as specified in the Act. The District's covered payroll amounted to \$387,074 for the year ended June 30, 2009.

Employees of the District are required to pay 4.5% of their gross earnings to the pension plan. The District is required to make annual contributions to the plan equal to 11.0% of its covered payroll. The District made \$40,618 and \$37,482 of employer contributions to the plan for the years ended June 30, 2009 and 2008, respectively.

The District has received a letter dated March 16, 2010, from the State of West Virginia Consolidated Public Retirement Board, which indicates that pursuant to action taken by the Board on March 3, 2010, the employer contribution rate for PERS will be increased, effective July 1, 2010, from 11.0% of a member's gross

monthly salary to 12.5% of monthly gross salary. Information regarding the plan is available from the State of West Virginia. The District's increased sewer rates and charges which became effective on April 9, 2010, pursuant to a Commission Order entered on April 7, 2010, in Case No. 09-1915-PSD-42T-PC, included amounts necessary to account for the increased PERS rates.

### **Other Post Employment Benefits**

The District is an active participant with the West Virginia Public Employees Insurance Agency (PEIA), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. PEIA provides medical benefits to retired employees and former employees of participating and non-participating West Virginia government entities. West Virginia Code, Chapter 5, Article 16, assigns the authority to establish and amend benefit provisions to PEIA. PEIA annually issues a publically available financial report that includes financial statements and required supplementary information. That report may be obtained online from PEIA's website: [www.westvirginia.com/peia](http://www.westvirginia.com/peia).

West Virginia Code, Chapter 5, Article 16 provides that contribution requirements of the plan and the participating employers are established and may be amended by PEIA. Participating employers contribute \$140 per month per participating employee.

Participating employers are contractually required to contribute at a rate assessed each year by PEIA. PEIA sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District has not contributed to the post employment health care plan.

## Summary of Historical Revenues and Expenses

The table below lists the net income of the sewerage system operated by the District for the last 3 fiscal years as filed with the Public Service Commission of West Virginia.

| Description                                                    | Audited<br>Financials<br>06/30/07 | Audited<br>Financials<br>06/30/08 | Audited<br>Financials<br>06/30/09 |
|----------------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Operating Revenues                                             | \$1,903,916                       | \$2,022,709                       | \$1,927,484                       |
| Operating Expenses                                             | \$1,377,237                       | \$1,561,484                       | \$1,578,240                       |
| Depreciation Expenses                                          | \$526,679                         | \$303,440                         | \$330,434                         |
| Operating Income                                               | \$226,935                         | \$157,785                         | \$18,810                          |
| Non-Operating Income (Expense):                                |                                   |                                   |                                   |
| Interest Income                                                | \$52,303                          | \$38,668                          | \$10,355                          |
| Gain (Loss) on Disposal of Assets                              | (\$1,247)                         | (\$1,394)                         | \$25                              |
| Interest Expense                                               | (\$120,335)                       | (\$117,987)                       | (\$116,187)                       |
| Amortization of Debt Issue Expense and Other Assets            | (\$56,979)                        | (\$81,209)                        | (\$82,608)                        |
| Loss Due to Dropped Projects                                   | (\$1,670)                         | (\$10,266)                        | (\$878)                           |
| Miscellaneous Non-Operating Revenues                           | \$41,412                          | \$41,412                          | \$41,412                          |
| Total Non-Operating Income (Expense)                           | (\$86,516)                        | (\$130,776)                       | (\$147,881)                       |
| Increase (Decrease) in Net Assets Before Capital Contributions | \$140,419                         | \$27,009                          | (\$129,071)                       |
| Capital Contributions                                          | \$276,250                         | ----                              | \$13,246                          |
| Increase (Decrease) in Net Assets                              | \$416,669                         | \$27,009                          | (\$115,825)*                      |

Source: Jefferson County Public Service District Audited Financial Statements and PSC Reports.

\* See The System – Coverage Ratios contained herein for further detail.

## Annual Debt Service Requirements

The following table sets forth for each fiscal year during which the 2010 Series A Bonds will be outstanding the amounts payable from Net Revenues as principal of and interest on the 2010 Series A Bonds.

### 2010 Series A Bonds

| FY Ending<br>June 30 | Principal<br>Portion | Interest<br>Portion | Total<br>Payments |
|----------------------|----------------------|---------------------|-------------------|
| 2010                 |                      | 19,900.16           | \$19,900.16       |
| 2011                 | \$80,000             | 73,856.26           | \$153,856.26      |
| 2012                 | \$80,000             | 71,456.26           | \$151,456.26      |
| 2013                 | \$80,000             | 69,056.26           | \$149,056.26      |
| 2014                 | \$85,000             | 66,656.26           | \$151,656.26      |
| 2015                 | \$85,000             | 63,681.26           | \$148,681.26      |

## 2010 Series A Bonds

| FY Ending<br>June 30 | Principal<br>Portion | Interest<br>Portion | Total<br>Payments |
|----------------------|----------------------|---------------------|-------------------|
| 2016                 | \$90,000             | \$60,706.26         | \$150,706.26      |
| 2017                 | \$95,000             | \$57,556.26         | \$152,556.26      |
| 2018                 | \$95,000             | \$54,231.26         | \$149,231.26      |
| 2019                 | \$100,000            | \$50,668.76         | \$150,668.76      |
| 2020                 | \$105,000            | \$46,918.76         | \$151,918.76      |
| 2021                 | \$110,000            | \$42,718.76         | \$152,718.76      |
| 2022                 | \$110,000            | \$38,318.76         | \$148,318.76      |
| 2023                 | \$115,000            | \$33,808.76         | \$148,808.76      |
| 2024                 | \$120,000            | \$29,093.76         | \$149,093.76      |
| 2025                 | \$125,000            | \$23,843.76         | \$148,843.76      |
| 2026                 | \$135,000            | \$18,375.00         | \$153,375.00      |
| 2027                 | \$140,000            | \$12,468.76         | \$152,468.76      |
| 2028                 | \$145,000            | \$6,343.76          | \$151,343.76      |
| Totals:              | \$1,895,000          | \$839,659.08        | \$2,734,659.08    |

### Coverage Ratios

Under the Resolution, the District has covenanted to collect fees and charges such that Net Revenues available for debt service are not less than 115% of the maximum amount required in any year for payment of principal of and interest on the 2010 Series A Bonds and all other obligations secured by a lien or payable from such revenues prior to or on a parity with the 2010 Series A Bonds, including the Prior Bonds. See "SECURITY FOR THE 2010 SERIES A BONDS -- Rate Covenant" herein.

Upon reviewing the District's financial statements for the fiscal year ending June 30, 2009, an independent certified public accountant verified that the District did not meet the rate coverage requirements of the Prior Bonds for such fiscal year. Such accountants determined that the District's sewer rate coverage for fiscal year ending June 30, 2009 was 109%. The District petitioned, and obtained approval from, the Public Service Commission of West Virginia, pursuant to a Commission Order entered on April 7, 2010, in Case No. 09-1915-PSD-42T-PC, for a sewer rate increase effective April 9, 2010. The increased sewer rates and charges represent a 7.3% increase over the rates previously in effect.

The revenues generated by the sewer rates which became effective on April 9, 2010, will be sufficient, in the opinion of the District's accountants, CoxHollidaPrice LLP, to produce revenues sufficient to pay the costs of operating and maintaining the System, funding the debt service requirements for the 2010 Series A Bonds and the Prior Bonds, and meeting the rate coverage requirements of the 2010 Series A Bonds and the Prior Bonds.

### Capital Improvement Fees and Capacity Assurance Fees

On and after January 14, 2009, developers and resale customers (in instances of developer connections), and those seeking a new sewer connection for a Previously Developed Tract shall pay to the District a capital improvement fee (CIF) for connections made to the sewer system of an unserved structure or facility. For Developers and those seeking a new sewer connection for a Previously Developed Tract, the CIFs are due as of the date of the entry into the final sewer availability agreement with the District. For resale customers making developer connections, the CIF is due the month following the date a new customer of the District's resale customer to which the CIF is applicable connects to the facilities of the District's resale customer.

The currently effective CIF which is charged by the District is equal to \$7,500 per equivalent dwelling unit. Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule which is set forth in the District's sewer rate tariff.

Developers, those seeking to assure capacity for a Previously Developed Tract, and resale customers of the District (in instances of developer connections) may execute a Capacity Assurance Agreement (CAA) and pay a Capacity Assurance Fee (CAF) to the District in the amount of \$7,500 per equivalent dwelling unit. Execution of the CAA and payment of the CAF shall entitle the payee to a reservation of sewer capacity as provided in the CAA. At such time as the reserved capacity is called upon by the entity paying a CAF, the CAF will be treated by the District as a credit, without interest, against the District's then effective CIF. Subject to this credit, entities that have paid a CAF remain responsible for payment of the District's then effective CIF for construction on property identified in the CAA.

The Public Service Commission of West Virginia has required that the CIF and CAF funds be used to fund major utility-wide source of supply, storage or treatment plant projects. In circumstances in which the ultimate sewage flows are to be treated by the City of Charles Town wastewater treatment plant, \$1,127 of the CIF and CAF fees which are collected by the District is required by the Public Service Commission to be distributed to the City of Charles Town. Further, the District is currently required by Order of the Public Service Commission to seek and obtain the prior approval of the Public Service Commission before committing or disbursing any of the \$7,500 CIF/CAF funds except for instances wherein the City of Charles Town is entitled to its \$1,127 of such fees.

The District is required by the Public Service Commission to account for CIF and CAF as non-operating revenues. **Thus, the Capital Improvement Fees and Capacity Assurance Fees are not accounted for as Net Revenues of the District with respect to the rate coverage and parity bond tests contained in the Resolution and in the Prior Resolutions with respect to the 2010 Series A Bonds and the Prior Bonds.**

It should be noted that in the case of Larry V. Faircloth Realty, Inc. v. Berkeley County Public Service Water District and Berkeley County Public Service Sewer District, Civil Action No. 09-C-826, filed in Berkeley County Circuit Court on or about October 6, 2009, the plaintiff therein filed a declaratory judgment action which challenged the legality of Capacity Improvement Fees, a fee similar to the Capital Improvement Fees charged by the District as herein described. The plaintiff alleged that Capacity Improvement Fees are neither authorized by statute nor reasonable in light of current economic conditions. On February 16, 2010, the Circuit Court entered a "Declaratory Judgment Order" wherein the Court ruled, among other things, that Capacity Improvement Fees billed for new construction are not authorized by statute, and the Public Service Commission of West Virginia exceeded its statutory authority in permitting the Berkeley County Public Service Water District (the "Water District") and the Berkeley County Public Service Sewer District (the "Sewer District") to collect Capacity Improvement Fees. Both the Water District and Sewer District filed separate Petitions for Appeal with the West Virginia Supreme Court of Appeals on or about April 7, 2010 which seek to vacate the Declaratory Judgment Order entered on February 16, 2010. The West Virginia Supreme Court of Appeals has not yet ruled as to whether it will accept such petitions for consideration. Proceedings imposing similar challenges to the Capacity Improvement Fees charged by the Water District and the Sewer District are currently pending before the West Virginia Public Service Commission in Case No. 09-0961-PSWD-GI.

It is possible that similar legal challenges could be instituted in Jefferson County Circuit Court or before the West Virginia Public Service Commission or other venues challenging the legality or application of the CIF and CAF currently imposed and collected by the District. If successful, such legal challenges could limit or eliminate the ability of the District to use CIF and CAF to finance capital improvements to its sewerage system. However, these fees are not included in the Net Revenues of the District.

#### **Sewerage Treatment Services Provided by City of Charles Town**

The City of Charles Town ("Charles Town") treats a portion of the wastewater generated in the District's service area and collected in its sewerage collection lines at the wastewater treatment plant owned and operated by Charles Town. Such treatment services were originally provided by Charles Town pursuant to a Sewer Service Agreement, dated April 29, 1988 (the "1988 Agreement"), by and between Charles Town, the District and the Corporation of Ranson ("Ranson"). Such parties entered into an Amendment to Sewer Service Agreement, dated July 11, 2005 (the "Amendment to 1988 Agreement"). The Amendment to 1988 Agreement contemplates the payment by Charles Town, Ranson and the District of a portion of the debt service on revenue bonds to be issued by Charles Town (the "Charles Town Bonds") to finance improvements to the wastewater treatment plant owned and

operated by Charles Town in order to increase the capacity of such treatment plant by 500,000 gallons per day (the "Phase One Improvements"). The 1988 Agreement, together with the Amendment to 1988 Agreement, is to remain in full force and effect until such time as the revenue bonds contemplated by the Amendment to 1988 Agreement are paid and discharged. In the event the bonds are defeased and the balance due thereon is refinanced by the issuance of new revenue bonds, a party may opt into a payment schedule for the refinanced bonds, in which case the Amendment to 1988 Agreement shall continue in full force and effect with respect to such party until the reissued revenue bonds are paid and discharged; or, alternatively, a party may elect to pay in full an amount of money sufficient to allow that party's share of the balance of the revenue bond debt contemplated by the Amendment to 1988 Agreement to be defeased.

Pursuant to the Amendment to 1988 Agreement the principal of the Charles Town Bonds was to be repaid first from \$1,127 per equivalent dwelling unit ("EDU") of capital improvement fees collected by the parties pursuant to that certain Memorandum of Understanding Regarding Wastewater Capital Improvement Fee, by and between Charles Town, Ranson and the District (the "MOU"). Second, debt service on the Charles Town Bonds is to be repaid under the Amendment to 1988 Agreement pursuant to payments by Ranson and the District to Charles Town, on a monthly basis, of the sum of \$6.10 per EDU for all new sewer service customers within their respective service areas. Charles Town is also to apply \$6.10 per EDU for all new sewer service customers connecting to its system to repayment of the Charles Town Bonds. The third repayment source under the Amendment to 1988 Agreement is a guaranty by Huntfield L.C. pursuant to a Developer Agreement by and between the District and Huntfield L.C. (the "Developer Agreement"). In the event that the above described repayment sources are insufficient to pay the debt service on the Charles Town Bonds, Ranson and the District agree to remit to Charles Town on a monthly basis one third of the monthly deficiency as directed by Charles Town. Under the Amendment to 1988 Agreement, the District and Ranson may send wastewater collected from their respective customers to wastewater treatment facilities other than the Charles Town wastewater treatment plant for treatment; provided, that the District and Ranson shall each pay Charles Town their respective obligations as outlined above and shall also pay to Charles Town the prevailing tariff rate for wastewater treated by Charles Town.

Pursuant to an Order of the Public Service Commission of West Virginia entered on May 1, 2005, in Case No. 04-1819-S-MA (the "2005 PSC Order"), the 1988 Agreement was ordered abrogated to the extent that it is inconsistent with the Order. The 2005 PSC Order also provided that: (i) the Amendment to 1988 Agreement, as approved by the Commission in Case No. 04-095-S-CN, remain in force, (ii) Charles Town, Ranson and the District were required to renegotiate an agreement, which incorporates the terms of the Amendment to 1988 Agreement and is consistent with the 2005 PSC Order, to replace the 1998 Agreement. The parties were to submit the revised Agreement to the Commission for its review and approval by December 31, 2005. To date, the parties have not negotiated a new Agreement pursuant to the terms of the Order or filed such Agreement with the Public Service Commission for approval.

The Order also approved the following sewer rate tariff provisions with respect to the resale rate to be charged by Charles Town to the District and Ranson and the resale credit and transportation credit available to the District:

Resale Rate- \$3.71 per 1,000 gallons per month.

Resale Credit (Applicable only to Jefferson County Public Service District)- a monthly credit of \$3,451 per month will be credited against the respective bill rendered to Jefferson County Public Service District for debt incurred by the District as part of the 2000 Charles Town Treatment Plant upgrade. This credit will remain in effect until the indebtedness associated with the respective upgrade is satisfied (Matures 2031).

Transportation Credit (Applicable only to Jefferson County Public Service District)- a monthly credit of \$1,009 per month will be credited against the respective bill rendered to Jefferson County Public Service District for reimbursement of fixed debt associated with lift stations needed to transport Charles Town's sewage from the former Sanitary Associates service area. The credit will be given until the indebtedness is satisfied. In addition to the monthly credit of \$1,009, a transportation credit of \$1.65 per thousand gallons shall be provided to the Jefferson County Public Service District for all flows from the former Sanitary Associates area.

The table below lists the coverage amounts for fiscal year ending June 30, 2007-2009 and projected 2009-2010.



| Description                  | Audited<br>Financials<br>2007 | Audited<br>Financials<br>2008 | Audited<br>Financials<br>2009 | Unaudited*<br>Financials<br>2010 | Budget*<br>2011 | Proforma**<br>2011 |
|------------------------------|-------------------------------|-------------------------------|-------------------------------|----------------------------------|-----------------|--------------------|
| Operating Revenues           | 1,997,631                     | 2,102,789                     | 1,979,251                     | 1,992,000                        | 2,117,000       | 2,117,000          |
| Operating Expenses           | 1,377,237                     | 1,561,484                     | 1,578,240                     | 1,636,063                        | 1,683,795       | 1,683,795          |
| Available Funds              | 620,394                       | 541,305                       | 401,011                       | 355,937                          | 433,205         | 433,205            |
| Debt Service<br>Requirements | 301,323                       | 368,159                       | 368,159                       | 368,159                          | 368,159         | 360,000            |
| Coverage Ratio               | 206%                          | 147%                          | 109%                          | 97%                              | 118%            | 120%               |

\* Sewer rate increase became effective April 9, 2010 pursuant to PSC Case No. 09-1915-PSD-42T-PC

\*\* Proforma contemplates successful refunding of Series 1998 A Bonds

Source: Jefferson County Public Service District Audited Financial Statements; Cox Hollida Price LLP, Certified Public Accountants and Consultants.

## INVESTMENT CONSIDERATIONS

The District does not have direct control over the Net Revenues it produces. The District's rates and charges are set by the Public Service Commission of West Virginia following a public notice and review process. The District cannot automatically increase rates, thereby increasing Net Revenues if customer numbers or customer usage decline or if operation and maintenance expenses increase significantly.

The District may and anticipates issuing additional bonds secured by the Net Revenues of the System on a parity with the lien thereon in favor of the 2010 Series A Bonds and the Prior Bonds, provided that the coverage and parity tests for the 2010 Series A Bonds and the Prior Bonds are satisfied. The District is not required to obtain the consent of the owners of the 2010 Series A Bonds to the issuance of obligations secured by the Net Revenues of the System. However, the coverage and parity tests contained in the Resolution authorizing the issuance of the 2010 Series A Bonds must be met in order for the District to issue additional obligations secured by Net Revenues of the System on a parity with the 2010 Series A Bonds and the Prior Bonds.

If Net Revenues are not sufficient to cover the debt service on the 2010 Series A Bonds and the Prior Bonds, then the District must request an increase in rates from the Public Service Commission. There can be no assurance that the Public Service Commission will increase rates and charges to a level sufficient to pay the debt service on the 2010 Series A Bonds and the Prior Bonds.

## LITIGATION

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, now pending or, to the best knowledge of the District, threatened or affecting the District (or, to the District's knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would have a material adverse affect on the District's financial position or on the validity of the 2010 Series A Bonds, the Resolution, or any agreement to which the District is a party and which is a part of the issuance of the 2010 Series A

## LEGAL MATTERS

The authorization and issuance of the 2010 Series A Bonds are subject to the approval of legality by Spilman Thomas & Battle, PLLC, Charleston, West Virginia, Bond Counsel. Bond Counsel will render an opinion in substantially the form set forth in Appendix C to this Official Statement. Certain legal matters will be passed upon for the District by its counsel, James V. Kelsh, Esquire, Charleston, West Virginia, and for the Underwriter by its counsel, Steptoe & Johnson PLLC, Clarksburg, West Virginia.

## TAX MATTERS

In the opinion of Spilman Thomas & Battle, PLLC, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the 2010 Series A Bonds (a) is excludable from gross income for federal income tax purposes, assuming compliance with certain provisions described herein pertaining to the Internal Revenue Code of 1986, as amended (the "Code"), (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (c) under existing State law, the 2010 Series A Bonds are exempt from taxation by the State and the other taxing bodies of the State and the interest on the 2010 Series A Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State. For the purposes of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted net book income.

Based on an examination of the Code and the factual representations and covenants of the District as to the Bonds, Bond Counsel is further of the opinion that pursuant to Section 265(b)(3) of the Code, the 2010 Series A Bonds upon issuance shall be treated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code and shall be deemed so designated as the 2010 Series A Bonds and the issue of which they are a part satisfy the requirements set forth in Section 265(b)(3). Therefore, the 2010 Series A Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and the provision of the Code which disallows all deductibility of interest expense incurred by financial institutions on debt incurred or to purchase or carry most tax-exempt obligations does not apply to the 2010 Series A Bonds. A deduction is allowed for 80% of that portion of such financial institution's interest expense allocable to interest on the Bonds for federal income tax purposes.

### Assumed Compliance with Certain Covenants and Federal Tax Requirements

The Code imposes various restrictions, on conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2010 Series A Bonds. The District has covenanted to comply with certain restrictions designed to ensure that interest on the 2010 Series A Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the 2010 Series A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2010 Series A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2010 Series A Bonds may adversely affect the value of, or the tax status of interest on, the 2010 Series A Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the 2010 Series A Bonds. Prospective purchasers of 2010 Series A Bonds are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Certain requirements and procedures contained or referred to in the District's authorizing Resolution, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 2010 Series A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any 2010 Series A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Spilman Thomas & Battle, PLLC.

## **Original Issue Discount**

To the extent the issue price of any maturity of the 2010 Series A Bonds is less than the amount to be paid at maturity of such 2010 Series A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2010 Series A Bonds) (the "Discount Bonds"), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the 2010 Series A Bonds which is excluded from gross income for federal income tax purposes and State of West Virginia personal income taxes. For this purpose, the issue price of a particular maturity of the 2010 Series A Bonds is the first price at which a substantial amount of such maturity of the 2010 Series A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2010 Series A Bonds accrues daily over the term to maturity of such 2010 Series A Bonds on the basis of a constant interest rate compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The accruing original issue discount is added to the adjusted basis of such 2010 Series A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2010 Series A Bonds. A purchaser of a Discount Bond in the initial public offering at a price for that Discount Bond stated on the cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond. Beneficial owners of the 2010 Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2010 Series A Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such 2010 Series A Bonds in the original offering to the public at the first price at which a substantial amount of such 2010 Series A Bonds is sold to the public.

## **Information Reporting and Backup Withholding**

Information reporting requirements will apply to interest on tax-exempt obligations, including the 2010 Series A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2010 Series A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2010 Series A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to the backup withholding should be allowed as a refund or a credit against any owner's federal income tax once the required information is furnished to the Internal Revenue Service.

## **State Income Tax Exemption**

In the opinion of Bond Counsel, under the Act, as presently written and applied, the 2010 Series A Bonds and the interest thereon are exempt from all taxation by the State of West Virginia and the other taxing bodies of the State.

## **Individual Circumstances**

Although Bond Counsel is of the opinion that interest on the 2010 Series A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or recipient of interest on, the 2010 Series A Bonds may otherwise affect an owner's federal tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

## **Future Tax Changes**

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2010 Series A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2010 Series A Bonds. Prospective purchasers of the 2010 Series A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2010 Series A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the application regulations, the interpretation thereof or the enforcement thereof the IRS. The District has covenanted, however, to comply with the requirements of the Code.

## **Bond Counsel Obligations**

Bond Counsel's engagement with respect to the 2010 Series A Bonds ends with the issuance of the 2010 Series A Bonds, and unless separately engaged, Bond Counsel is not obligated to defend the District or the beneficial owners regarding the tax-exempt status of the 2010 Series A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and their appointed counsel including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagree may not be practicable. Any action of the IRS, including but not limited to selection of the 2010 Series A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2010 Series A Bonds, and may cause the District or the beneficial owners to incur significant expense.

## **UNDERWRITING**

Crews & Associates, Inc., as Underwriter, has agreed, subject to certain conditions, to purchase the 2010 Series A Bonds from the District at a price of \$1,837,006.95 which reflects an Underwriter's discount of \$47,375 and a net original issue discount of \$10,618.05. The Underwriter will be obligated to purchase all of the 2010 Series A Bonds if any are purchased. The 2010 Series A Bonds may be offered and sold to certain dealers (including investment trusts, certain of which may be sponsored or managed by the Underwriter) at prices lower than the public offering price stated on the cover page of this Official Statement, and such public offering price also may be changed without prior notice, from time to time, by the Underwriter.

## **ACCOUNTANT'S CALCULATIONS**

CoxHollidaPrice LLP, Certified Public Accountants and Consultants, Martinsburg, West Virginia, independent certified public accountants, will certify the coverage requirements and parity test requirements in connection with the issuance of the 2010 Series A Bonds.

## **FINANCIAL STATEMENTS OF THE DISTRICT**

Included herein as Appendix B is the audited financial statements (and reports with respect thereto) of the District as of June 30, 2008 and June 30, 2009, prepared by CoxHollidaPrice LLP, Certified Public Accountants and Consultants, Martinsburg, West Virginia. The financial statements have been included herein in reliance upon the reports of the preparers thereof as experts in auditing and accounting.

CoxHollidaPrice LLP has consented to the inclusion of the Jefferson County Public Service District

### CONTINUING DISCLOSURE

The District has agreed in the Resolution to execute and deliver contemporaneously with the issuance of the 2010 Series A Bonds an agreement to undertake for the benefit of the Registered Owners of the 2010 Series A Bonds to provide certain financial and operating information (the "Annual Information") not later than three hundred sixty five (365) days following the end of the fiscal year of the District, commencing in 2010, to the Electronic Municipal Markets Access System ("EMMA") and to provide notice of the occurrence of the enumerated events to EMMA. See "APPENDIX E- FORM OF CONTINUING DISCLOSURE AGREEMENT."

This continuing disclosure obligation is being undertaken by the District to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The Dissemination Agent named therein has agreed to give notice in a timely manner to EMMA or other applicable information repository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the 2010 Series A Bonds. Registered Owners may contact the General Manager of the District at 340 Edmond Road, Suite A, Kearneysville, WV 25430, (304) 725-4647 for more information.

### MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the 2010 Series A Bonds. The District has authorized the execution and distribution of this Official Statement.

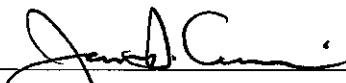
Copies of the Resolution, the Undertaking and other applicable documents may be obtained from the District at the following address:

Jefferson County Public Service District  
340 Edmond Road, Suite A  
Kearneysville, WV 25430  
Attention: General Manager  
(304) 725-4647

or, during the period of offering the 2010 Series A Bonds, from the Underwriter.

The execution and distribution of this Official Statement has been duly authorized by the District.

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

By:   
Its: Secretary

(THIS PAGE INTENTIONALLY LEFT BLANK)

## APPENDIX A

### General Information Regarding Jefferson County, West Virginia

The Jefferson County Public Service District is located in Jefferson County situated in the eastern panhandle of West Virginia. Jefferson County marks the Eastern Gateway to the Mountain State. The County was formed in 1801 from Berkeley County and was named for Thomas Jefferson. Jefferson County, with a total land area of 212 square miles, is bordered on the west by Berkeley County, West Virginia, on the north by the State of Maryland and on the east and south by the Commonwealth of Virginia. The elevation varies from 275 feet above sea level at Harpers Ferry to 1000 feet in the mountains east of the Shenandoah River. Charles Town, one of five incorporated towns, is the County seat. The other incorporated towns are Harpers Ferry, the location of John Brown's raid during the Civil War; Shepherdstown, the oldest town in West Virginia; Bolivar, named after the South American liberator, Simon Bolivar; and Ranson, an ideal location for industry and homes.

Because of its proximity to the Baltimore-Washington, D.C. area, the County has experienced the type of growth representative of those metropolitan areas. Jefferson County is part of the Martinsburg Labor Market Area which draws a strong work force from Virginia and Maryland. Due to its location, many metropolitan areas are within reasonable traveling distance of Jefferson County.

|                            |   |           |
|----------------------------|---|-----------|
| Washington, D.C.           | - | 58 miles  |
| Baltimore, Maryland        | - | 67 miles  |
| Harrisburg, Pennsylvania   | - | 100 miles |
| Charlottesville, Virginia  | - | 129 miles |
| Richmond, Virginia         | - | 168 miles |
| Philadelphia, Pennsylvania | - | 180 miles |
| Pittsburgh, Pennsylvania   | - | 193 miles |
| New York City              | - | 265 miles |

*\*Unless indicated otherwise, data sources are WorkForce West Virginia and the Jefferson County Development Authority.*

### **Top Ten Employers**

1. Jefferson County Board of Education
2. PNGI Charles Town Gaming
3. Shepherd University
4. Wal-Mart Stores, Inc.
5. Royal Vendors, Inc.
6. Jefferson Memorial Hospital
7. Department of the Interior
8. American Public University System
9. Jefferson County Commission
10. Eldercare Resources Corporation



### **Employment and Unemployment Statistics - Annual Averages**

The following table presents statistics regarding the average annual labor force and historical employment levels in Jefferson County.

| JEFFERSON COUNTY EMPLOYMENT RATES |             |                 |                   |                       |
|-----------------------------------|-------------|-----------------|-------------------|-----------------------|
| Year                              | Labor Force | Number Employed | Number Unemployed | Unemployment Rate (%) |
| 2000                              | 23,350      | 22,560          | 790               | 3.4%                  |
| 2001                              | 23,040      | 22,270          | 770               | 3.3%                  |
| 2002                              | 23,140      | 22,240          | 900               | 3.9%                  |
| 2003                              | 23,250      | 22,380          | 860               | 3.7%                  |
| 2004                              | 23,670      | 22,880          | 790               | 3.3%                  |
| 2005                              | 24,270      | 23,490          | 770               | 3.2%                  |
| 2006                              | 24,960      | 24,170          | 790               | 3.2%                  |
| 2007                              | 25,330      | 24,560          | 770               | 3.0%                  |
| 2008                              | 24,700      | 23,780          | 920               | 3.7%                  |
| 2009                              | 24,000      | 22,380          | 1,620             | 6.8%                  |

*Source: WorkForce WV Labor Market Information and WV County Profiles*

### **Employment and Wages**

|                                  |               |
|----------------------------------|---------------|
| Employment, Annual Average 2008  | 14,294        |
| Total Wages, Annual 2008         | \$439,793,087 |
| Annual Wage, Annual Average 2008 | \$30,768      |
| Weekly Wage, Annual Average 2008 | \$591.69      |

### **Population Trends**

| Year | County Population | % Change | West Virginia Population |
|------|-------------------|----------|--------------------------|
| 1970 | 21,280            | N/A      | 1,744,237                |
| 1980 | 30,311            | 42.43%   | 1,928,524                |
| 1990 | 35,926            | 18.52%   | 1,793,477                |
| 2000 | 42,190            | 17.44%   | 1,808,344                |
| 2005 | 48,542            | 15.06%   | 1,805,626                |

| <b>Year</b> | <b>County<br/>Population</b> | <b>% Change</b> | <b>West Virginia<br/>Population</b> |
|-------------|------------------------------|-----------------|-------------------------------------|
| 2006        | 49,712                       | 2.41%           | 1,808,699                           |
| 2007        | 50,832                       | 2.25%           | 1,812,035                           |
| 2008        | 51,615                       | 1.54%           | 1,814,468                           |

*Source: U.S. Census Bureau*

### **People Quick Facts**

|                   |        |
|-------------------|--------|
| Male              | 20,873 |
| Female            | 21,317 |
| Ages 14 and below | 8,303  |
| Ages 25 to 34     | 5,512  |
| Ages 45 to 54     | 6,519  |
| Ages 65 and older | 4,724  |
| Median Age        | 36.8   |

*Source: 2000 Census and WV County Profiles*

### **Housing**

A wide range of housing is available in Jefferson County, with housing costs generally at least 1/3 less than in the suburban metropolitan area. The County offers a blend of rural lifestyle with a close proximity to the attractions of Washington, DC, and Baltimore, Maryland.

|                                   |           |
|-----------------------------------|-----------|
| Total Housing Units               | 17,623    |
| Occupied Housing Units            | 16,165    |
| Owner Occupied                    | 12,253    |
| Renter Occupied                   | 3,912     |
| Median Value                      | \$116,700 |
| Median Rent Asked                 | \$453     |
| Totals Households                 | 16,165    |
| Family Households                 | 11,319    |
| Non-Family Households             | 4,846     |
| Persons 65 and Over, Living Alone | 1,366     |
| Average Household Size            | 2.54      |

*Source: 2000 Census and WV County Profiles*

### Government/Emergency Services Personnel

|                                        |    |
|----------------------------------------|----|
| West Virginia State Police             | 13 |
| Jefferson County Sheriff's Department  | 31 |
| Charles Town Police Personnel          | 20 |
| Ranson Police Personnel                | 16 |
| Shepherdstown Police Personnel         | 13 |
| Harpers Ferry-Bolivar Police Personnel | 6  |

Central Dispatch                      County Wide 911

Fire and Rescue:                      6 departments/150 active volunteers

### Medical

|                        |                                |
|------------------------|--------------------------------|
| Hospital               | 1 - Jefferson Memorial/45 beds |
| Licensed Nursing Homes | 4                              |
| Physicians             | 32 Full-time<br>33 Part-time   |
| Dentists               | 12                             |
| Chiropractors          | 5                              |

### Banks

Jefferson County has six (6) banks with full consumer, commercial and trusts services available with total assets exceeding \$425 million.

|                      |                         |
|----------------------|-------------------------|
| Bank of Charles Town | BB&T                    |
| City National Bank   | United National Bank    |
| MVB Bank, Inc.       | Jefferson Security Bank |

### Communications

**Newspapers:** *Spirit of Jefferson/Farmer's Advocate & Shepherdstown Chronicle* are published weekly. *The Journal* in Martinsburg, West Virginia and *The Morning Herald* in Hagerstown, Maryland are published daily.

**Radio Stations:**      WXVA, AM and FM

**Cable Television:** Comcast offers more than 60 stations, including Washington, DC and Baltimore, Maryland. Local TV coverage by Hagerstown Channel 25. School news Channel 19. Direct TV is also available.

## **Transportation**

Jefferson County is served by Interstate 81 and Interstate 70, U.S. Route 340 and State Routes 9, 45, 51, 115, 230, and 480. Interstate 81 is a highly traveled highway running north and south through Berkeley County. Interstate 70 runs east and west in Maryland, 20 miles north of the County.

Norfolk and Southern Railway, CSX Transportation and Amtrak Service provide commuter and commercial transportation through Jefferson County, including daily service to downtown Washington, DC and points in Maryland.

Eastern West Virginia Regional Airport, located 11 miles away in Martinsburg, West Virginia, offers private air transportation. This airport has a 7,000 foot runway with a full instrument landing system. Several national and international airports are located 40 to 90 minutes away including Dulles International Airport (45 miles), Baltimore-Washington International Airport (60 miles), Ronald Reagan National Airport (65 miles), and Hagerstown, MD and Winchester, VA (25 miles).

Multiple motor freight carriers supply Jefferson County and there is a container cargo facility at Front Royal Virginia, approximately 25 miles away.

There is limited local bus service provided by Eastern Panhandle Transit Authority.

## **Utilities**

Allegheny Energy Power Company provides electric power to the residents and businesses in Jefferson County. There is currently no natural gas supplier available in the County. Heating oil is provided by Roach Energy, Southern States and Smith Oil Company. Propane Gas is provided by Columbia Propane, Shawley's Gas Company, Thompson Gas Co., Amerigas Propane, and United Propane.

Telephone services are provided by Frontier Communications. Personal communication systems are provided by Sprint Spectrum, US Cellular, AT&T Wireless, and T-Mobile.

Water and sewer services are provided by Jefferson County Public Service District as well as various municipalities and privately owned, public utilities.

## **Education**

The vision of the Jefferson County School System is to empower its students to become responsible, productive citizens in a diverse society.

Elementary Schools    8 schools (3,849 enrollment). A new elementary school is scheduled to open in Shenandoah Junction for the 2010-2011 school year.

Middle Schools        4 schools (1,849 enrollment)

High Schools          2 schools (2,373 enrollment)

There are also 3 private schools in Jefferson County with a total enrollment of approximately 266 students in grades PK through 9.

James Rumsey Technical Institute is the designated technical school for the Berkeley, Morgan and Jefferson County school districts. JRTI offers career and technical education opportunities for high school students and adult learners. Programs at JRTI are approved and/or accredited by the North Central Association of Secondary Schools and Colleges.

Jefferson County is home to one (1) public college. Shepherd University, located in Shepherdstown, offers both Master's and Bachelor's degrees. Major Bachelor degree programs include business, liberal arts, education, recreation and fitness and visual and performing arts. The total enrollment is approximately 4,185 students.

American Public University System (APUS), consisting of two (2) online universities, American Public University and American Military University, is headquartered in Charles Town, West Virginia. APUS offers 76 degree programs and 51 certificates including programs in business, criminal justice, homeland security, information technology, intelligence, management and psychology. APUS is one of the few institutions that is regionally and nationally accredited by federally recognized accrediting agencies.

---

*Source: West Virginia Department of Education*

### **Libraries**

There are four (4) libraries in Jefferson County with over 1.5 million volumes.

### **Recreation**

Jefferson County offers a wide variety of attractions and recreation for visitors. Three (3) federal parks are located in the County: Harpers Ferry National Historical Park, C&O National Historical Park and the Appalachian Trail. Harpers Ferry is situated at the point of the Potomac and Shenandoah Rivers where Maryland, Virginia and West Virginia meet. It is best known for John Brown's raid on the Armory during the Civil War. Most of the town is maintained as the Harpers Ferry National Historical Park.

The C&O National Historical Park was established in 1961 by President Dwight D. Eisenhower to preserve the remains of the Chesapeake and Ohio Canal. The canal and

towpath trail extends from Georgetown in Washington DC, through part of West Virginia, to Cumberland, Maryland, a distance of 184.5 miles. The remains of many of the original locks and buildings can still be viewed along the trail.

The Appalachian Trail enters West Virginia at Harpers Ferry. Only about four (4) miles of the trail lie in West Virginia proper. However, the trail straddles the Virginia-West Virginia border for approximately 15 miles south of Harpers Ferry and again several hundred miles south near the New River.

Jefferson County also boasts eight (8) county parks covering over 250 acres of land. These parks offer a variety of facilities including picnic areas, athletic fields, tennis courts, nature trails, and playgrounds.

There are quite a few attractions and festivals in Jefferson County including the Charles Town Races and Slots, Summit Point Motor Sports Park, The Old Opera House, Peter Burr Living History Farm, Mountain Heritage Arts and Crafts Festival, and the Contemporary American Theater Festival.

Charles Town Races and Slots is a world-class entertainment venue featuring over 5,000 slot machines, live entertainment, a varied selection of food and beverages, and live and simulcast horse racing. Charles Town Races and Slots is owned by Penn National Gaming Inc. and draws more than four million visitors every year.

Summit Point Motorsports Park is a road racing and driver training facility. Owned and operated by Bill Scott Racing, Inc., Summit Point Motorsports Park features three road racing circuits that are currently used for amateur automobile, kart, and motorcycle racing, high performance driver education and emergency training for local and federal law enforcement, as well as foreign service officers who may be posted to dangerous locales

### **Industrial Sites**

Jefferson County is home to a strong and supportive business community that includes everything from small family owned businesses to large national corporations. The business community consists of many agricultural, information technology, and manufacturing companies, as well as government agencies.

The County provides the benefits of a location within the Washington/Baltimore region without the usual high costs associated with such prime real estate. The Burr Industrial Park, a 200-acre business complex near Charles Town, offers easy access as well as excellent industrial, commercial and office sites.

Because of its proximity and easy access to federal entities in Washington, DC, Jefferson County is particularly attractive to the Biotech and Healthcare industries, as well as other Federal agencies. In addition, many of Jefferson County's residents commute to government installations outside of the County. Some of the government entities located in Jefferson County are the Department of Interior and US Fish and Wildlife Services, National Conservation Training Center; National Park Service - Appalachian National Scenic Trail and

Harpers Ferry Center; US Customs & Border Protection; USDA Appalachian Fruit Research Station; and, USDI US Geological Survey Leetown Science Center.

The manufacturing industry has deep seated roots in Jefferson County, with a variety of successful, long standing establishments including Automated Merchandising Systems and Burch Wood Products. Other manufacturers are: Ox Paperboard LLC (formerly Halltown Paperboard), the oldest continuously operating company in West Virginia; DALB, Inc. which produced all of the interior signage for the Denver Airport, among others; Royal Vendors, Inc., whose machines are located around the world in places like Provence, Israel, and Australia; and, Schonstedt Instruments that manufactured a device that originally assisted in orienting the Hubble Space Telescope. They have donated more than 277 detection devices to the United Nations Land Mine Demining Initiative.

Information Technology companies are also choosing Jefferson County as their business location because of the location within the Washington DC metro area and the quality of life offered. The information technology industry in Jefferson County consists of various telecommunications, web development, consulting firms and a world-class educational institution that provides online training across the globe. Jefferson County also has a federal HubZone that provides businesses with a competitive advantage and promotes job growth, capital investment, and economic development in historically underutilized business zones.

Some of the area's top farms are found in Jefferson County. These farms produce and sell fruits and vegetables, poultry, lamb, beef, dairy, and even Christmas trees. In addition, there are pumpkin patches, farm tours, horse farms, and more.

---

*Source Jefferson County Development Authority*

# APPENDIX B



**(THIS PAGE INTENTIONALLY LEFT BLANK)**

**JEFFERSON COUNTY PUBLIC SERVICE DISTRICT**

**FINANCIAL STATEMENTS**

**For the years ended June 30, 2009 and June 30, 2008**



## CONTENTS

|                                                                                                                                                                                                                        | <u>Page</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b>INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND<br/>SUPPLEMENTAL INFORMATION</b>                                                                                                                           | 3-4         |
| <b>MANAGEMENT'S DISCUSSION &amp; ANALYSIS</b>                                                                                                                                                                          | 5-9         |
| <b>FINANCIAL STATEMENTS</b>                                                                                                                                                                                            |             |
| Balance sheets                                                                                                                                                                                                         | 10-11       |
| Statements of revenues, expenses and changes in net assets                                                                                                                                                             | 12          |
| Statements of cash flows                                                                                                                                                                                               | 13          |
| Notes to financial statements                                                                                                                                                                                          | 14-36       |
| <b>SUPPLEMENTAL INFORMATION</b>                                                                                                                                                                                        |             |
| Budgetary comparison schedules - water department                                                                                                                                                                      | 38-39       |
| Budgetary comparison schedules - sewer department                                                                                                                                                                      | 40-41       |
| Schedules of operating expenses - water department                                                                                                                                                                     | 42          |
| Schedules of operating expenses - sewer department                                                                                                                                                                     | 43          |
| <b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND<br/>ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF<br/>FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH<br/><u>GOVERNMENT AUDITING STANDARDS</u></b> | 44-45       |



**INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

The Members of the Public Service Board  
Jefferson County Public Service District

We have audited the accompanying financial statements of the business-type activities of the Jefferson County Public Service District ("District"), as of and for the years ended June 30, 2009 and 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Jefferson County Public Service District as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 9 and the budgetary comparison schedules on pages 38 through 41 are not a required part of the basic financial statements, but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and measurement and presentation of required supplemental information. However we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson County Public Service District's basic financial statements. The supplemental information presented on pages 42 and 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Cox Hollida Price LLP*  
Martinsburg, WV

December 1, 2009

Jefferson County Public Service District  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the fiscal year ended June 30, 2009

The management of Jefferson County Public Service District provides the following information as an introduction, overview and analysis of the District's financial statements for the year ended June 30, 2009. Readers should also review the basic financial statements that begin on page 10 to further enhance their understanding of the District's financial performance.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements and Required Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

**Financial statements**

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The Balance Sheet includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and capital and non capital financing activities and provides answers to such questions as "from where did cash come?", "for what was cash used?", and "what was the change in cash balance during the reporting period?"

The notes to the basic financial statements provide additional and explanatory data. They are an integral part of the basic financial statements.

Jefferson County Public Service District  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the fiscal year ended June 30, 2009

**Financial Analysis of the District as a Whole**

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Balance Sheet, the Statement of Revenue, Expenses and Changes in Net Assets and the Statement of Cash Flows report information about the District's activities in a way that will help answer this question. These statements report the net assets of the District and changes in them. You can think of the District's net assets- the difference between assets and liabilities- as one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, political leaders, and new or changed legislation.

The net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, at various times, the District receives infrastructure improvements from a developer and in return takes over these assets and maintains them. The District either puts in or has a developer put in the infrastructure, and pays for it through a developer contribution, current operations or by an issuance of a bond. These assets are reflected as an asset on the District's books and are depreciated over the estimated life of the assets.

Below are highlights of the financial statements:

|                                 | <u>2009</u>                | <u>2008</u>                |
|---------------------------------|----------------------------|----------------------------|
| Unrestricted cash               | \$ 510,583                 | \$ 587,574                 |
| Restricted cash                 | 780,459                    | 1,251,927                  |
| Other assets                    | 2,004,318                  | 2,232,738                  |
| Capital assets                  | <u>12,869,053</u>          | <u>11,705,805</u>          |
| <b>Total assets</b>             | <b><u>16,164,413</u></b>   | <b><u>15,778,044</u></b>   |
| Current and other liabilities   | 581,359                    | 580,058                    |
| Long-term liabilities           | <u>6,819,214</u>           | <u>6,322,699</u>           |
| <b>Total liabilities</b>        | <b><u>7,400,573</u></b>    | <b><u>6,902,757</u></b>    |
| <b>Net assets</b>               | <b><u>\$ 8,763,840</u></b> | <b><u>\$ 8,875,287</u></b> |
| Invested in assets, net of debt | \$ 7,507,309               | \$ 7,093,930               |
| Restricted net assets           | 670,992                    | 1,128,355                  |
| Unrestricted net assets         | <u>585,539</u>             | <u>653,002</u>             |
| <b>Total net assets</b>         | <b><u>\$ 8,763,840</u></b> | <b><u>\$ 8,875,287</u></b> |

Jefferson County Public Service District  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the fiscal year ended June 30, 2009

|                                                       | <u>2009</u>               | <u>2008</u>             |
|-------------------------------------------------------|---------------------------|-------------------------|
| <b>Revenues</b>                                       |                           |                         |
| Sales to customers                                    | \$ 1,850,714              | \$ 1,921,763            |
| Other                                                 | <u>179,760</u>            | <u>236,168</u>          |
| <b>Total revenue</b>                                  | <u>2,030,474</u>          | <u>2,157,931</u>        |
| <b>Expenses</b>                                       |                           |                         |
| Operating                                             | 1,619,879                 | 1,604,890               |
| Dropped projects                                      | 878                       | 10,266                  |
| Depreciation & amortization                           | 418,214                   | 389,215                 |
| Interest expense                                      | <u>116,196</u>            | <u>117,990</u>          |
| <b>Total expenses</b>                                 | <u>2,155,167</u>          | <u>2,122,361</u>        |
| <b>Net income (loss) before capital contributions</b> | ( 124,693)                | 35,570                  |
| Capital contributions                                 | <u>13,246</u>             | <u>-</u>                |
| <b>Change in net assets</b>                           | <u><u>\$(111,447)</u></u> | <u><u>\$ 35,570</u></u> |

The District did not receive contributed capital from developers for the current fiscal year.

The District invested approximately \$1.5 million in the current year for improvements of the sewer system and planning of the Flowing Springs waste water treatment plant. This investment was financed by the use of the District's restricted assets and issuance of the bond anticipation note.

The District had an assessment of the water systems. The water systems were found to be very old, but had received excellent maintenance by District staff. The District was presented with improvement options, future recommendations, secondary improvements, and grant funding options. The District will move forward with upgrades to the system and set up informational meetings to the affected communities. Management expects that it will proceed with continuing maintenance and capital investment in those systems based on the consultant's recommendations and financial resources available.

The District began to experience a slowdown in new customer connections in 2008 which has continued into 2009 and management attributes that decline to the overall national slump in the housing industry. The District has also experienced a reduction in usage by individual customers which is due to more efficient use of water together with the conservation of water usage. The District expects that the conventional residential sector will continue to be slow through this fiscal year, but recovering thereafter. However, the District expects continued sustained commercial and institutional sector growth. Overall, the District expects growth in new customer growth and equivalent domestic units (EDU) to remain



Jefferson County Public Service District  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the fiscal year ended June 30, 20 09

comparable with prior years. The District believes that the fundamentals of location and cost in Jefferson County remain favorable, for economic development and expect that the District's plans for readily available services will position the community for early economic recovery

The District has become a bulk rate customer for waste being treated at the Charles Town treatment plant under a PSC final order. The rates have increased as a result of this change. Charles Town has upgraded their plant to increase the available wastewater treatment capacity available to the District. The Charles Town assets purchased by the District has been moved from Utility plant in service to Other assets.

The District entered into a Bond Anticipation Note to help pay for the professional fees related to the Flowing Springs Waste Water Treatment Plant. This note will be paid off when permanent financing is secured for the project.

As previously noted, the slump in the economy has affected the revenue generated by the District. The drop in operating revenue accounts for most of the decline in income from the prior year's net income. The District has proposed a 8.6% rate increase to assist in the operating revenues needed for the operations of the District and to meet the bond requirements.

The District is operating under an interstate environmental compact that commits West Virginia to play a role restoring water quality in the Chesapeake Bay. The new operating environment has required that the District find and implement unconventional solutions for emerging issues. The District has requested and received a Capital Assurance Fee (to insure capacity) and a Capital Improvement Fee (to pay for capacity) from the PSC.

The District has increased the number of customers by less than 1%.

### **Budgetary Highlights**

Over the course of the year, the District approved one amendment to the Sewer Department mid-year decreasing revenue for reduced usage of about \$128,000 and a decrease in expenses mainly due to the decrease of treatment costs by \$50,000. Several accounts were over budget, and those expenditures were approved by the board. Overall, the actual expenses were within approximately 2% of the amended budget amount; however, even with the reduction of budgeted revenue, the District was short on the revenue estimate by \$100,000, approximately 5% under the amended budgeted amount.

Jefferson County Public Service District  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the fiscal year ended June 30, 20 09

**Capital Assets and Debt Administration**

At the end of the current fiscal year, the District's Sewer Department had outstanding debt of \$7,192,819. The District's debt has increased by \$521,053 during the current year. This increase was the result of an issuance of a note payable of \$750,000 to pay for professional fees related to the Flowing Springs Waste Water Treatment Plant. The debt was decreased by the principal payments on debt of \$228,947.

Many debt obligations require debt coverage (revenues over operating expenses) to be more than 115% of the debt obligation. For the current fiscal year debt coverage was only 109% mainly due to the lack of revenue as discussed earlier.

**Economic Factors**

The long-term trend of increasing numbers of residences and businesses in Jefferson County has resulted in the increase in demand on the Charles Town wastewater facility which is used by the customers of the District. The District is a bulk customer of Charles Town. The District has submitted and has received preliminary approval through the West Virginia Infrastructure and Jobs Development Council a loan commitment from West Virginia Department of Environmental Protection from the West Virginia State Revolving Fund of \$24.5 million for the construction of a Flowing Springs wastewater treatment plant which will remove some of the burden on the Charles Town Wastewater treatment plant.

Jefferson County watersheds all drain directly into either the Potomac or the Shenandoah rivers and are part of the headwaters of the Chesapeake Bay. Emerging requirements for protecting and recovering water quality in the Bay will require all sources of nutrients to reduce contributions of nitrogen and phosphorus by 30-40% and to maintain a cap load allocation for the future. These environmental clean-up obligations will increase capital and operational costs to utilities and ultimately to rate payers. The District is already planning for compliance with Chesapeake Bay standards and all new facilities currently planned will meet or exceed projected water quality requirements.

Jefferson County Public Service District

**BALANCE SHEETS**

June 30, 2009 and 2008

**ASSETS**

|                                                                                                                  | <u>Water<br/>Department</u> | <u>Sewer<br/>Department</u> | <u>2009<br/>Total</u> | 2008<br>Memorandum<br>Only<br><u>Total</u> |
|------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------|--------------------------------------------|
| <b>CURRENT ASSETS</b>                                                                                            |                             |                             |                       |                                            |
| Cash                                                                                                             | \$ 128,143                  | \$ 382,440                  | \$ 510,583            | \$ 587,574                                 |
| Accounts receivable, net of allowance<br>for doubtful accounts of \$10,000                                       | 2,058                       | 86,639                      | 88,697                | 85,834                                     |
| Accounts receivable - other                                                                                      | -                           | 392                         | 392                   | 5,950                                      |
| Accrued utility revenue                                                                                          | 4,555                       | 153,266                     | 157,821               | 146,929                                    |
| Prepaid expenses and deposits                                                                                    | -                           | 9,247                       | 9,247                 | 28,508                                     |
| Total current assets                                                                                             | <u>134,756</u>              | <u>631,984</u>              | <u>766,740</u>        | <u>854,795</u>                             |
| <b>RESTRICTED CASH</b>                                                                                           | <u>3,674</u>                | <u>776,785</u>              | <u>780,459</u>        | <u>1,251,927</u>                           |
| <b>CAPITAL ASSETS</b>                                                                                            |                             |                             |                       |                                            |
| Land and land rights                                                                                             | 2,066                       | 917,885                     | 919,951               | 919,951                                    |
| Construction work in progress                                                                                    | -                           | 1,114,762                   | 1,114,762             | 71,035                                     |
| Utility plant in service                                                                                         | 174,643                     | 14,836,223                  | 15,010,866            | 14,583,089                                 |
| Less accumulated depreciation                                                                                    | <u>(51,386)</u>             | <u>(4,125,140)</u>          | <u>(4,176,526)</u>    | <u>(3,868,270)</u>                         |
| Net capital assets                                                                                               | <u>125,323</u>              | <u>12,743,730</u>           | <u>12,869,053</u>     | <u>11,705,805</u>                          |
| <b>OTHER ASSETS</b>                                                                                              |                             |                             |                       |                                            |
| Unamortized debt issue expense, net of<br>accumulated amortization of \$162,571<br>and \$148,385, respectively   | -                           | 270,736                     | 270,736               | 284,922                                    |
| Future utility plant preliminary survey and<br>design charges                                                    | 157,482                     | 306,750                     | 464,232               | 598,981                                    |
| Due from other funds                                                                                             | -                           | 12,482                      | 12,482                | 12,482                                     |
| Other assets - capacity upgrades, net of<br>accumulated amortization of \$225,226<br>and \$156,804, respectively | -                           | 1,000,711                   | 1,000,711             | 1,069,132                                  |
| Total other assets                                                                                               | <u>157,482</u>              | <u>1,590,679</u>            | <u>1,748,161</u>      | <u>1,965,517</u>                           |
| Total assets                                                                                                     | \$ <u>421,235</u>           | \$ <u>15,743,178</u>        | \$ <u>16,164,413</u>  | \$ <u>15,778,044</u>                       |

The accompanying notes are an integral part of this statement.

Jefferson County Public Service District

**BALANCE SHEETS (Continued)**

June 30, 2009 and 2008

**LIABILITIES**

2008  
Memorandum  
Only  
Total

**CURRENT LIABILITIES (payable from current assets)**

|                                                         | Water<br>Department | Sewer<br>Department | 2009<br>Total |            |
|---------------------------------------------------------|---------------------|---------------------|---------------|------------|
| Accounts payable                                        | \$ 1,087            | \$ 166,321          | \$ 167,408    | \$ 172,486 |
| Accrued taxes and expenses                              | -                   | 11,373              | 11,373        | 29,307     |
| Total current liabilities (payable from current assets) | 1,087               | 177,694             | 178,781       | 201,793    |

**CURRENT LIABILITIES (payable from restricted cash)**

|                                                          |       |         |         |         |
|----------------------------------------------------------|-------|---------|---------|---------|
| Revenue bonds payable (due within one year)              | -     | 267,365 | 267,365 | 228,947 |
| Accrued interest payable                                 | -     | 25,746  | 25,746  | 25,746  |
| Customer deposits                                        | 2,354 | 107,113 | 109,467 | 117,937 |
| Capital improvement fees                                 | -     | -       | -       | 5,635   |
| Total current liabilities (payable from restricted cash) | 2,354 | 400,224 | 402,578 | 378,265 |

**LONG-TERM LIABILITIES**

|                                                                                                             |         |           |           |           |
|-------------------------------------------------------------------------------------------------------------|---------|-----------|-----------|-----------|
| Due to other funds                                                                                          | 12,482  | -         | 12,482    | 12,482    |
| Revenue bonds payable                                                                                       | -       | 6,175,454 | 6,175,454 | 6,442,819 |
| Notes payable                                                                                               | 145,000 | 750,000   | 895,000   | 145,000   |
| Deferred loss on bond refinancing, net of accumulated amortization of \$138,802 and \$124,922, respectively | -       | (263,722) | (263,722) | (277,602) |
| Total long-term liabilities                                                                                 | 157,482 | 6,661,732 | 6,819,214 | 6,322,699 |
| Total liabilities                                                                                           | 160,923 | 7,239,650 | 7,400,573 | 6,902,757 |

**NET ASSETS**

**NET ASSETS**

|                                                 |            |               |               |               |
|-------------------------------------------------|------------|---------------|---------------|---------------|
| Invested in capital assets, net of related debt | 137,805    | 7,369,504     | 7,507,309     | 7,093,930     |
| Restricted for debt and construction            | 1,320      | 669,672       | 670,992       | 1,128,355     |
| Unrestricted                                    | 121,187    | 464,352       | 585,539       | 653,002       |
| Total net assets                                | 260,312    | 8,503,528     | 8,763,840     | 8,875,287     |
| Total liabilities and net assets                | \$ 421,235 | \$ 15,743,178 | \$ 16,164,413 | \$ 15,778,044 |

The accompanying notes are an integral part of this statement.

Jefferson County Public Service District

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

For the years ended June 30, 2009 and 2008

|                                                                                   | <u>Water<br/>Department</u> | <u>Sewer<br/>Department</u> | <u>2009<br/>Total</u> | <u>2008<br/>Memorandum<br/>Only<br/>Total</u> |
|-----------------------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------|-----------------------------------------------|
| <b>OPERATING REVENUES</b>                                                         |                             |                             |                       |                                               |
| Sales to general customers                                                        | \$ 48,986                   | \$ 1,801,728                | \$ 1,850,714          | \$ 1,921,763                                  |
| Customers' forfeited discounts<br>and penalties                                   | 1,212                       | 49,260                      | 50,472                | 58,605                                        |
| Miscellaneous revenues                                                            | 174                         | 76,496                      | 76,670                | 94,642                                        |
| Total operating revenues                                                          | <u>50,372</u>               | <u>1,927,484</u>            | <u>1,977,856</u>      | <u>2,075,010</u>                              |
| <b>OPERATING REVENUE DEDUCTIONS<br/>BEFORE DEPRECIATION</b>                       |                             |                             |                       |                                               |
| Operating expenses                                                                | <u>41,639</u>               | <u>1,578,240</u>            | <u>1,619,879</u>      | <u>1,604,890</u>                              |
| Operating income before depreciation                                              | 8,733                       | 349,244                     | 357,977               | 470,120                                       |
| <b>DEPRECIATION</b>                                                               | <u>5,172</u>                | <u>330,434</u>              | <u>335,606</u>        | <u>308,006</u>                                |
| Operating income                                                                  | <u>3,561</u>                | <u>18,810</u>               | <u>22,371</u>         | <u>162,114</u>                                |
| <b>NON-OPERATING INCOME (EXPENSE)</b>                                             |                             |                             |                       |                                               |
| Interest income                                                                   | 826                         | 10,355                      | 11,181                | 42,903                                        |
| Gain (loss) on disposal of assets                                                 | -                           | 25                          | 25                    | (1,394)                                       |
| Interest expense                                                                  | (9)                         | (116,187)                   | (116,196)             | (117,990)                                     |
| Amortization of debt issue expense and other<br>assets - treatment plant upgrades | -                           | (82,608)                    | (82,608)              | (81,209)                                      |
| Loss due to dropped projects                                                      | -                           | (878)                       | (878)                 | (10,266)                                      |
| Miscellaneous non-operating revenues                                              | -                           | 41,412                      | 41,412                | 41,412                                        |
| Total non-operating income (expense)                                              | <u>817</u>                  | <u>(147,881)</u>            | <u>(147,064)</u>      | <u>(126,544)</u>                              |
| Increase (decrease) in net assets<br>before capital contributions                 | <u>4,378</u>                | <u>(129,071)</u>            | <u>(124,693)</u>      | <u>35,570</u>                                 |
| <b>CAPITAL CONTRIBUTIONS</b>                                                      | <u>-</u>                    | <u>13,246</u>               | <u>13,246</u>         | <u>-</u>                                      |
| Increase (decrease) in net assets                                                 | 4,378                       | (115,825)                   | (111,447)             | 35,570                                        |
| Net assets at beginning of year                                                   | <u>255,934</u>              | <u>8,619,353</u>            | <u>8,875,287</u>      | <u>8,839,717</u>                              |
| Net assets at end of year                                                         | \$ <u>260,312</u>           | \$ <u>8,503,528</u>         | \$ <u>8,763,840</u>   | \$ <u>8,875,287</u>                           |

The accompanying notes are an integral part of this statement.

Jefferson County Public Service District

**STATEMENTS OF CASH FLOWS**

For the years ended June 30, 2009 and 2008

|                                                                                       | Water<br>Department | Sewer<br>Department | 2009<br>Total       | 2008<br>Memorandum<br>Only<br>Total |
|---------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|-------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                           |                     |                     |                     |                                     |
| Cash received from customers                                                          | \$ 49,771           | \$ 1,919,887        | \$ 1,969,658        | \$ 2,097,447                        |
| Cash payments for goods and services                                                  | (43,783)            | (1,084,687)         | (1,128,470)         | (1,055,457)                         |
| Cash payments for employee services                                                   | -                   | (513,938)           | (513,938)           | (478,073)                           |
| Net cash flows provided by operating activities                                       | <u>5,988</u>        | <u>321,262</u>      | <u>327,250</u>      | <u>563,917</u>                      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                           |                     |                     |                     |                                     |
| Interest received                                                                     | <u>826</u>          | <u>10,355</u>       | <u>11,181</u>       | <u>42,903</u>                       |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                       |                     |                     |                     |                                     |
| Expenditures for utility plant and other assets                                       | (38,888)            | (363,190)           | (402,078)           | (200,346)                           |
| Increase (decrease) in customer deposits                                              | (291)               | (8,179)             | (8,470)             | 182                                 |
| Capital improvement fees collected                                                    | -                   | 50,437              | 50,437              | 100,303                             |
| Capital improvement fees transferred to joint account                                 | -                   | (42,826)            | (42,826)            | (96,922)                            |
| Principal payment on debt - bond                                                      | -                   | (228,947)           | (228,947)           | (195,529)                           |
| Principal payment on debt - notes                                                     | -                   | -                   | -                   | (5,760)                             |
| Credits on treatment upgrade bonds                                                    | -                   | 41,412              | 41,412              | 41,412                              |
| Proceeds from bonds payable                                                           | -                   | -                   | -                   | 649,073                             |
| Proceeds from notes payable                                                           | -                   | 750,000             | 750,000             | -                                   |
| Interest paid on bonds and notes                                                      | (9)                 | (102,307)           | (102,316)           | (104,728)                           |
| Developer payables                                                                    | -                   | -                   | -                   | (256,829)                           |
| Construction work in progress capital expenditures                                    | -                   | (772,011)           | (772,011)           | -                                   |
| Increase in preliminary surveys                                                       | -                   | (172,091)           | (172,091)           | (76,012)                            |
| Payment of bond issuance costs                                                        | -                   | -                   | -                   | (41,453)                            |
| Net cash (used in) capital and related financing activities                           | <u>(39,188)</u>     | <u>(847,702)</u>    | <u>(886,890)</u>    | <u>(186,609)</u>                    |
| Net increase (decrease) in cash                                                       | <u>(32,374)</u>     | <u>(516,085)</u>    | <u>(548,459)</u>    | <u>420,211</u>                      |
| <b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>                                    | <u>164,191</u>      | <u>1,675,310</u>    | <u>1,839,501</u>    | <u>1,419,290</u>                    |
| <b>CASH AND CASH EQUIVALENTS END OF YEAR</b>                                          | <u>\$ 131,817</u>   | <u>\$ 1,159,225</u> | <u>\$ 1,291,042</u> | <u>\$ 1,839,501</u>                 |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b> |                     |                     |                     |                                     |
| Operating income                                                                      | \$ 3,561            | \$ 18,810           | \$ 22,371           | \$ 162,114                          |
| Depreciation                                                                          | 5,172               | 330,434             | 335,606             | 308,006                             |
| Adjustments for changes in operating assets and liabilities                           |                     |                     |                     |                                     |
| Increase in operating assets                                                          | (601)               | (7,116)             | (7,717)             | (2,125)                             |
| Increase (decrease) in operating liabilities                                          | (2,144)             | (20,866)            | (23,010)            | 95,922                              |
| Net cash provided by operating activities                                             | <u>\$ 5,988</u>     | <u>\$ 321,262</u>   | <u>\$ 327,250</u>   | <u>\$ 563,917</u>                   |

The accompanying notes are an integral part of this statement.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2009 and 2008

**GENERAL**

Jefferson County Public Service District ("District") is a public corporation created by the Jefferson County Commission on December 1, 1983, for the purpose of operating a public utility by providing water and sewer services to customers in its franchise area in Jefferson County. The District is governed by a board of directors who are appointed by the Jefferson County Commission.

The territory embraced by the District consists of all land within the boundaries of Jefferson County, excluding sewage authorities within incorporated municipalities and any other public service districts properly authorized and existing within the county.

**Reporting Entity**

For financial reporting purposes, the District is considered an independent reporting entity. The basic criteria for defining the District as an independent reporting entity is the District's financial independence, accountability for fiscal matters, significant influence on operations and ability to designate management.

For purposes of regulation by the West Virginia Public Service Commission and as required by its revenue bond issues, water and sewer departments are maintained as separate entities with separate books of account.

The District purchased two private water systems, Glen Haven Utilities, Inc. and Cavaland South Water Service in 1994 for \$5,010. The assets were recorded by Jefferson County Public Service District at net book value since fair market value was not available. Financial data of these water systems are shown in the financial statements under the columnar heading of water department.

The District is also showing the potential Blue Ridge Water Project under the columnar heading of water department. (See more details in the note payable and deferred cost of system design notes).

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

The financial statements of the District are prepared in accordance with Generally Accepted Accounting Principles (GAAP). As a proprietary fund type, the District applies all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

**Financial Reporting Entity**

The District complies with GASB Statement No. 14, *"The Financial Reporting Entity."* This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the criteria, there are no component units to include in the District's financial statements.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)**

**Basis of Presentation**

Accounts of the District are organized on the basis of fund accounting under one fund, an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, except for the immaterial modification concerning inventories listed in the notes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and service. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Assets, Liabilities and Net Assets**

The reserve method is used to provide for possible losses in the collection of customer's accounts receivable.

The District bills customers each month for the prior month's usage. Therefore, accrued utility revenue represents one month's revenues earned but not billed at June 30, 2009 and 2008.

Inventory of materials and supplies are not recorded on the balance sheet. Materials and supplies are expensed when purchased.

Restricted cash held in trust under trust indentures is stated at cost.

It is the District's policy to first use restricted assets when available and then use general revenues to finance projects and expenses.



Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Assets (Continued)**

Utility plant purchased is stated at cost at the date of acquisition. Donated assets, principally sewer lines and land, are recorded at an amount which approximates the donor's cost and are recorded as capital contributions. Depreciation is provided on the straight-line method at various rates calculated to allocate the costs of the respective items over their estimated useful lives ranging from 3 to 50 years. Interest paid on loans obtained for construction of plant facilities is capitalized when material. There was no capitalized interest for the years ended June 30, 2009 or 2008. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Major classifications of utility plant of the District and their respective useful lives at June 30, 2009 and 2008, are summarized below:

**Sewer Department**

| <u>Classification</u>          | <u>Useful Lives</u> |
|--------------------------------|---------------------|
| Collection mains and services  | 50 years            |
| Transmission mains             | 50 years            |
| Gravity mains                  | 50 years            |
| Force mains                    | 50 years            |
| Flow meters                    | 50 years            |
| Electric pumping equipment     | 20-50 years         |
| Transportation equipment       | 5 years             |
| Communication equipment        | 5 - 7 years         |
| Furniture and office equipment | 3 - 7 years         |

**Water Department**

| <u>Classification</u>               | <u>Useful Lives</u> |
|-------------------------------------|---------------------|
| Structures and improvements         | 20-40 years         |
| Supply mains                        | 40 years            |
| Pump equipment                      | 10-40 years         |
| Transmission and distribution lines | 10-40 years         |
| Services and meters                 | 10-40 years         |
| Hydrants                            | 30 years            |

Construction work in progress represents costs for projects that were not completed at year end.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Assets (Continued)**

**Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees may, depending on level and length of service, be paid for various amounts of their total accrued vacation upon termination or retirement. Accrued sick pay is not paid upon termination. The District accrues a liability for unused vacation hours that meets the criteria for payment at the eligible employees' current rates of pay plus retirement benefits and employment taxes. The accrual for compensated absences was \$11,371 and \$8,619 at June 30, 2009 and 2008, respectively.

**Long-term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the District's balance sheet. Debt issuance expense is reported as "other assets" and amortized over the term of the related bond issues using the straight line method.

Amortization of the deferred loss on bond refinancing is calculated by the straight-line method over the terms of the Series 1998A Revenue Bond and is reflected as an increase to interest expense.

**Equity Classifications**

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets-Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**Statement of Cash Flows**

For purposes of the statement of cash flows, the District considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Assets (Continued)**

**Budget**

In accordance with West Virginia Code, Management shall prepare and submit to the Board a tentative budget. Such tentative budget shall be considered by the Board and, subject to any revisions or amendments that may be determined by the Board, shall be adopted as the budget for the ensuing fiscal year. No expenditures for operation and maintenance expenses in excess of the budget shall be made during such fiscal year unless unanimously authorized and directed by the Board.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**CASH AND TEMPORARY INVESTMENTS**

Cash and temporary investments consisted of the following accounts and amounts at June 30, 2009 and 2008:

|                            | <u>Water</u> | <u>Sewer</u> | <u>2009<br/>Total</u> | <u>2008<br/>Memorandum<br/>Only Total</u> |
|----------------------------|--------------|--------------|-----------------------|-------------------------------------------|
| Revenue                    | \$ -         | \$ 244,734   | \$ 244,734            | \$ 305,469                                |
| Petty cash                 | -            | 700          | 700                   | 700                                       |
| Operations and maintenance | 128,143      | -            | 128,143               | 160,181                                   |
| Future needs               | -            | 137,006      | 137,006               | 121,224                                   |
| Total                      | \$ 128,143   | \$ 382,440   | \$ 510,583            | \$ 587,574                                |

The revenue fund is a restricted account in accordance with provisions of the revenue bond resolutions; however, these funds are generally available for the operations of the District.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**RESTRICTED CASH AND RESERVES**

Restricted cash and reserves consisted of the following accounts and amounts at June 30, 2009 and 2008:

|                         |                 |                   | <b>2009</b>       | <b>2008</b>                      |
|-------------------------|-----------------|-------------------|-------------------|----------------------------------|
|                         | <u>Water</u>    | <u>Sewer</u>      | <u>Total</u>      | <u>Memorandum<br/>Only Total</u> |
| Debt service revenue    | \$ -            | \$ 145,765        | \$ 145,765        | \$ 487,528                       |
| Debt service reserve    | -               | 442,505           | 442,505           | 426,733                          |
| Renewal and Replacement | -               | 55,335            | 55,335            | 184,917                          |
| Capital Improvement Fee | -               | 21,630            | 21,630            | 14,459                           |
| Customer Deposits       | <u>3,674</u>    | <u>111,550</u>    | <u>115,224</u>    | <u>138,290</u>                   |
| Total                   | \$ <u>3,674</u> | \$ <u>776,785</u> | \$ <u>780,459</u> | \$ <u>1,251,927</u>              |

The debt service revenue and related reserve includes funds on deposit with the West Virginia Municipal Bond Commission as trustee under the various revenue bond indentures and proceeds from bond issues. The Trust indentures require the trustee to establish various special purpose trust fund accounts, make periodic transfers to and between funds, maintain them at a specified level and/or disburse funds from them in accordance with the specific terms of the indentures.

The renewal and replacement funds are under the control and custody of the District as trustee in accordance with provisions of the revenue bond indentures. The renewal and replacement fund represents funds on deposit for the purpose of making repairs and replacements.

The capital improvement fee funds, by order of the Public Service Commission of West Virginia dated March 28, 2005, are to be used only for the purpose of improving the Charles Town treatment facilities and are to be held in a joint account by the District, the City of Ranson, and the City of Charles Town. All three governments are to share in the responsibility of establishing the account and collecting the appropriate fees. As of June 30, 2006, a joint account had been established and the District was depositing capital improvement fees collected into the joint account within the required period of (30) Thirty days from collection without interest. The balance in the District's cash account at June 30, 2009 and 2008, respectively is the interest earned on the account and the fees collected but not yet transferred to the joint account.

The District also has a liability on the books for capital improvement fees collected but not yet transferred to the joint account. The balance left as of June 30, 2009 and 2008 respectively were transferred after June 30, 2009 and 2008 respectively. This amount is reflected in the balance sheet as a current liability payable from restricted cash.

The customer deposits fund represents funds on deposit with a financial institution as required by the Public Service Commission of West Virginia. These funds are returned to customers upon twelve consecutive timely service payments or upon termination of service.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**DEPOSITS AND INVESTMENTS**

At June 30, 2009, the District's cash and investment balances were as follows:

| <u>Investment Type</u>     | <u>Maturities</u>  | <u>Fair Value</u>   |
|----------------------------|--------------------|---------------------|
| Repurchase Agreements      | Various            | \$ 591,963          |
| State Investment Pool      | Average of 90 days | <u>559,907</u>      |
| Total investments          |                    | 1,151,870           |
| Cash                       |                    | <u>139,172</u>      |
| Total Cash and Investments |                    | \$ <u>1,291,042</u> |

**Interest Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value changes arising from changing interest rates.

**Credit Risk**

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the state of West Virginia, obligations of the federal mortgage association, indebtedness secured by first lien deeds of trust for property situated within this state if the payment is substantially insured or guaranteed by the federal government, pooled mortgage trusts (subject to limitations), indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades, interest earning deposits which are fully insured or collateralized, and mutual funds registered with S.E.C. which have fund assets over three hundred million dollars. The District has no investment policy that would further limit its investment choices.

**Concentration Credit Risk**

The District does not have a formal investment policy that limits its investments in any one issuer.

GAAP requires disclosure when any one issuer is 5% or more of the investment portfolio. The investment in the repurchase agreements, with it's underlying securities being Federal Home Loan Bank and Fannie Mae mortgage loans of 51%, and investments in the state investment pool of 49% of the investment portfolio. These types of investments are within state statutes as listed under credit risk, therefore, this is not viewed as an additional risk by the District.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**DEPOSITS AND INVESTMENTS (Continued)**

**Custodial Credit Risk-Deposits and Investments (excluding investments at the West Virginia Municipal Bond Commission)**

Custodial credit risk is the risk that in the event of a bank or counter party failure, the District will not be able to recover the value of its deposits, investments or collateral securities that are in possession of an outside party. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2009, \$354,583 of the District's bank balance of \$743,668 was exposed to custodial credit risk. \$389,085 of the bank balance was covered by Federal Deposit Insurance (FDIC) and \$354,583 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

In fiscal years ended June 30, 2009 and 2008, the District has a repurchase agreement with a local financial institution for the investment of excess funds in all of the District's accounts held at that institution. Under the repurchase agreement, all collected balances in the account at the end of each day are automatically withdrawn and used to purchase an investment under the repurchase agreement. The repurchase agreement states that the securities purchased will be U.S. Government or Agency Securities or Mortgage Backed Securities. The securities will not be identified as the District's specific property, nor will they be delivered to the District and during any trading day, the District's securities are commingled with the bank's own securities, and may be subject to liens granted by the bank to third parties. The repurchase agreement also states that the purchased interest in underlying securities is not considered a deposit and therefore not insured by the FDIC, the United States Government or Agency thereof, or any other. The market value of the investments approximates cost at June 30, 2009 and 2008.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2008 was as follows:

**Sewer Department**

|                                                    | Balance at<br>July 01, 2007 | Additions | Retirements | Balance at<br>June 30, 2008 |
|----------------------------------------------------|-----------------------------|-----------|-------------|-----------------------------|
| Capital assets not being depreciated:              |                             |           |             |                             |
| Land and land rights, restated                     | \$ 917,885                  | \$ -      | \$ -        | \$ 917,885                  |
| Construction work in progress                      | 98,390                      | -         | 27,355      | 71,035                      |
| Total capital assets not being depreciated - sewer | 1,016,275                   | -         | 27,355      | 988,920                     |
| Capital assets being depreciated:                  |                             |           |             |                             |
| Collection mains and services                      | 10,359,465                  | 447,376   | -           | 10,806,841                  |
| Transmission mains                                 | 240,858                     | -         | -           | 240,858                     |
| Gravity mains                                      | 64,865                      | -         | -           | 64,865                      |
| Force mains                                        | 1,118,426                   | -         | -           | 1,118,426                   |
| Flow meters                                        | 13,187                      | -         | -           | 13,187                      |
| Electric pumping equipment                         | 1,973,874                   | 41,249    | 1,621       | 2,013,502                   |
| Transportation equipment                           | 106,366                     | 9,012     | 34,798      | 80,580                      |
| Communication equipment                            | 4,542                       | 528       | -           | 5,070                       |
| Furniture and office equipment                     | 104,254                     | 600       | 850         | 104,004                     |
| Total capital assets being depreciated - sewer     | 13,985,837                  | 498,765   | 37,269      | 14,447,333                  |

**Less Accumulated Depreciation -- Sewer Department**

|                                                     | Balance at<br>July 01, 2007 | Additions  | Retirements | Balance at<br>June 30, 2008 |
|-----------------------------------------------------|-----------------------------|------------|-------------|-----------------------------|
| Collection mains and services                       | 2,269,195                   | 207,363    | -           | 2,476,558                   |
| Transmission mains                                  | 83,727                      | 4,817      | -           | 88,544                      |
| Gravity mains                                       | 16,215                      | 1,297      | -           | 17,512                      |
| Force mains                                         | 385,428                     | 22,369     | -           | 407,797                     |
| Flow meters                                         | 3,406                       | 264        | -           | 3,670                       |
| Electric pumping equipment                          | 621,956                     | 49,192     | 282         | 670,866                     |
| Transportation equipment                            | 86,610                      | 13,634     | 34,798      | 65,446                      |
| Communication equipment                             | 2,446                       | 914        | -           | 3,360                       |
| Furniture and office equipment                      | 85,508                      | 3,590      | 795         | 88,303                      |
| Total accumulated depreciation                      | 3,554,491                   | 303,440    | 35,875      | 3,822,056                   |
| Total capital assets being depreciated, net - sewer | 10,431,346                  | 195,325    | 1,394       | 10,625,277                  |
| Net capital assets - sewer                          | \$ 11,447,621               | \$ 195,325 | \$ 28,749   | \$ 11,614,197               |

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**CAPITAL ASSETS (Continued)**

**Water Department**

|                                                | Balance at<br>July 01, 2007 | Additions | Retirements | Balance at<br>June 30, 2008 |
|------------------------------------------------|-----------------------------|-----------|-------------|-----------------------------|
| Capital assets not being depreciated:          |                             |           |             |                             |
| Land and land rights                           | \$ 2,066                    | \$ -      | \$ -        | \$ 2,066                    |
| Capital assets being depreciated:              |                             |           |             |                             |
| Structures and improvements                    | 35,953                      | -         | -           | 35,953                      |
| Supply mains                                   | 1,240                       | -         | -           | 1,240                       |
| Wells and springs                              | 4,856                       | 5,093     | -           | 9,949                       |
| Pump equipment                                 | 17,030                      | 1,205     | -           | 18,235                      |
| Transmission and distribution lines            | 58,317                      | -         | -           | 58,317                      |
| Services and meters                            | 8,676                       | 3,264     | -           | 11,940                      |
| Hydrants                                       | 122                         | -         | -           | 122                         |
| Total capital assets being depreciated - water | 126,194                     | 9,562     | -           | 135,756                     |

**Less Accumulated Depreciation – Water Department**

|                                                     | Balance at<br>July 01, 2007 | Additions | Retirements | Balance at<br>June 30, 2008 |
|-----------------------------------------------------|-----------------------------|-----------|-------------|-----------------------------|
| Structures and improvements                         | 12,670                      | 1,152     | -           | 13,822                      |
| Supply mains                                        | 403                         | 31        | -           | 434                         |
| Wells and springs                                   | -                           | 127       | -           | 127                         |
| Pump equipment                                      | 7,190                       | 1,253     | -           | 8,443                       |
| Transmission and distribution lines                 | 16,450                      | 1,749     | -           | 18,199                      |
| Services and meters                                 | 4,878                       | 249       | -           | 5,127                       |
| Hydrants                                            | 57                          | 5         | -           | 62                          |
| Total accumulated depreciation                      | 41,648                      | 4,566     | -           | 46,214                      |
| Total capital assets being depreciated, net - water | 84,546                      | 4,996     | -           | 89,542                      |
| Net capital assets - water                          | \$ 86,612                   | \$ 4,996  | \$ -        | \$ 91,608                   |



Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**CAPITAL ASSETS (Continued)**

Capital assets activity for the year ended June 30, 2009 was as follows:

**Sewer Department**

|                                                    | Balance at<br>July 01, 2008 | Additions | Retirements | Balance at<br>June 30, 2009 |
|----------------------------------------------------|-----------------------------|-----------|-------------|-----------------------------|
| Capital assets not being depreciated:              |                             |           |             |                             |
| Land and land rights                               | \$ 917,885                  | \$ -      | \$ -        | \$ 917,885                  |
| Construction work in progress                      | 71,035                      | 1,043,727 | -           | 1,114,762                   |
| Total capital assets not being depreciated - sewer | 988,920                     | 1,043,727 | -           | 2,032,647                   |
| Capital assets being depreciated:                  |                             |           |             |                             |
| Collection mains and services                      | 10,806,841                  | 13,605    | -           | 10,820,446                  |
| Transmission mains                                 | 240,858                     | -         | -           | 240,858                     |
| Gravity mains                                      | 64,865                      | -         | -           | 64,865                      |
| Force mains                                        | 1,118,426                   | 28,650    | -           | 1,147,076                   |
| Flow meters                                        | 13,187                      | -         | -           | 13,187                      |
| Electric pumping equipment                         | 2,013,502                   | 192,580   | -           | 2,206,082                   |
| Transportation equipment                           | 80,580                      | 22,430    | 22,800      | 80,210                      |
| Communication equipment                            | 5,070                       | 21,343    | 3,540       | 22,873                      |
| Furniture and office equipment                     | 104,004                     | 136,510   | 1,888       | 238,626                     |
| Total capital assets being depreciated - sewer     | 14,447,333                  | 415,118   | 28,228      | 14,834,223                  |

**Less Accumulated Depreciation - Sewer Department**

|                                                     | Balance at<br>July 01, 2008 | Additions    | Retirements | Balance at<br>June 30, 2009 |
|-----------------------------------------------------|-----------------------------|--------------|-------------|-----------------------------|
| Collection mains and services                       | 2,476,558                   | 216,284      | -           | 2,692,842                   |
| Transmission mains                                  | 88,544                      | 4,817        | -           | 93,361                      |
| Gravity mains                                       | 17,512                      | 1,297        | -           | 18,809                      |
| Force mains                                         | 407,797                     | 22,511       | -           | 430,308                     |
| Flow meters                                         | 3,670                       | 264          | -           | 3,934                       |
| Electric pumping equipment                          | 670,866                     | 58,900       | -           | 729,766                     |
| Transportation equipment                            | 65,446                      | 11,804       | 22,800      | 54,450                      |
| Communication equipment                             | 3,360                       | 3,083        | 2,844       | 3,599                       |
| Furniture and office equipment                      | 88,303                      | 11,474       | 1,706       | 98,071                      |
| Total accumulated depreciation                      | 3,822,056                   | 330,434      | 27,350      | 4,125,140                   |
| Total capital assets being depreciated, net - sewer | 10,625,277                  | 84,684       | 878         | 10,709,083                  |
| Net capital assets - sewer                          | \$ 11,614,197               | \$ 1,128,411 | \$ 878      | \$ 12,741,730               |

Jefferson County Public Service District

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2009 and 2008

**CAPITAL ASSETS (Continued)**

**Water Department**

|                                                         | Balance at<br>July 01, 2008 | Additions | Retirements | Balance at<br>June 30, 2009 |
|---------------------------------------------------------|-----------------------------|-----------|-------------|-----------------------------|
| Capital assets not being depreciated:                   |                             |           |             |                             |
| Land and land rights                                    | \$ 2,066                    | \$ -      | \$ -        | \$ 2,066                    |
| Capital assets being depreciated:                       |                             |           |             |                             |
| Structures and improvements                             | 35,953                      | 38,329    | -           | 74,282                      |
| Supply mains                                            | 1,240                       | -         | -           | 1,240                       |
| Wells and springs                                       | 9,949                       | -         | -           | 9,949                       |
| Pump equipment                                          | 18,235                      | -         | -           | 18,235                      |
| Transmission and distribution lines                     | 58,317                      | -         | -           | 58,317                      |
| Services and meters                                     | 11,940                      | 558       | -           | 12,498                      |
| Hydrants                                                | 122                         | -         | -           | 122                         |
| Total capital assets being depreciated - water          | 135,756                     | 38,887    | -           | 174,643                     |
| <b>Less Accumulated Depreciation – Water Department</b> |                             |           |             |                             |
|                                                         | Balance at<br>July 01, 2008 | Additions | Retirements | Balance at<br>June 30, 2009 |
| Structures and improvements                             | 13,822                      | 1,795     | -           | 15,617                      |
| Supply mains                                            | 434                         | 31        | -           | 465                         |
| Wells and springs                                       | 127                         | 255       | -           | 382                         |
| Pump equipment                                          | 8,443                       | 1,016     | -           | 9,459                       |
| Transmission and distribution lines                     | 18,199                      | 1,749     | -           | 19,948                      |
| Services and meters                                     | 5,127                       | 322       | -           | 5,449                       |
| Hydrants                                                | 62                          | 4         | -           | 66                          |
| Total accumulated depreciation                          | 46,214                      | 5,172     | -           | 51,386                      |
| Total capital assets being depreciated, net - water     | 89,542                      | 33,715    | -           | 123,257                     |
| Net capital assets - water                              | \$ 91,608                   | \$ 33,715 | \$ -        | \$ 125,323                  |

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**CONSTRUCTION WORK IN PROGRESS**

Construction work in progress is made up of the following at June 30, 2009:

|                                       |                     |
|---------------------------------------|---------------------|
| Flowing Springs Sewer Treatment Plant | \$ 1,037,245        |
| Norborne Glebe Project                | 9,689               |
| Sheridan Project                      | 8,403               |
| Old Standard                          | 27,582              |
| Wormald/Beallair Project              | 15,934              |
| Spruce Hill North Project             | 14,740              |
| Jefferson Crossing II                 | <u>1,169</u>        |
|                                       | \$ <u>1,114,762</u> |

The District is in the planning phase of construction of the Flowing Springs waste water treatment plant. The District estimated the cost of the 1 million gallons a day treatment plant to be approximately \$26.5 million. The District is planning to finance this project with West Virginia Department of Environmental Protection bonds in the amount of \$25.5 million at 0% interest for thirty years with a 1/2% administration fee. The District also received a \$1 million funding comment from the Jefferson County Development Authority. Through fiscal year ended June 30, 2009 the District has invested \$1,037,245 in engineering fees and other professional services that were financed through a Bond Anticipation Note payable of \$750,000 and operations.

The Norborne Glebe Project is an alternate main line extension that will service the Norborne Glebe subdivision. The project will service approximately 602 homes, of which 60 homes are currently on the billing system. This project is being built by the developer and upon completion will be turned over to the District, at which time the estimated total cost of the project will be recorded on the District's books as utility plant and capital contributions. Phase I was turned over to the District in September 2005. This is reflected in capital contributions and utility plant in the year ended June 30, 2006. The estimated date of completion for the remainder of the project is 2015 with an estimated total cost of \$500,000 (unaudited).

The District has an alternate main line extension agreement for the Sheridan development and four separate agreements for the associated Old Standard wastewater treatment plant. The agreements are; real estate purchase agreement, leaseback agreement, o & m agreement and an asset purchase agreement. The real estate purchase agreement and leaseback agreement stages have already taken place and the plant is currently constructed and serving the homes of Sheridan. It has not been turned over to the District from the developer as there is still small debt on the plant. The homes in Sheridan are customers of the developer until they turn the plant over to the District.

The Old Standard wastewater treatment plant is serving the customers from the Sheridan development. Customers are now residing at the Sheridan development. The developer deeded approximately 2.5 acres to the District for a treatment plant in September 2004. Fiscal year ended June 30, 2005 was retroactively restated to reflect this as a prior period adjustment in capital contributions and utility plant. This treatment plant is being built by the developer and eventually will be turned over to the District for \$1, at which time the estimated total cost of the plant will be recorded on the District's books as utility plant and capital contributions. The total estimated cost is approximately \$1,500,000 (unaudited), but in the future the total cost is estimated to be approximately \$4,500,000 (unaudited) as customers come on line.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**CONSTRUCTION WORK IN PROGRESS (Continued)**

The Wormald/Beallair Project is an alternate mainline extension that will service the Wormald/Beallair subdivision. The project will service approximately 400 homes, of which 2 are currently online; however, homes in which a commitment letter has not been executed timely, a flat monthly rate is being billed. This project is being built by the developer and upon completion will be turned over to the District for \$1, at which time the estimated total cost of the project will be recorded on the District's books as utility plant and capital contributions. The estimated cost is currently unavailable. The District has accepted 1 pump station and lines for 1-49.

The Spruce Hill North Project is an alternate mainline extension that will service the Spruce Hill North subdivision. The project will service approximately 130 homes, of which 5 are currently on the billing system. This project is being built by the developer and upon completion will be turned over to the District, at which time the estimated total cost of the project will be recorded on the District's books as utility plant and capital contributions. The total estimated cost is approximately \$100,000 (unaudited).

The Jefferson Crossing II project is a business area consisting of two (2) office buildings, two (2) strip malls, one (1) gas station, (1) car wash and two (2) restaurants currently online, with possible expansion occurring in future years. This will be turned over to the District in the future, at which time the estimated total cost of the project will be recorded on the District's books. The estimated cost is currently unavailable.

**OTHER ASSETS**

**Future Utility Plant Preliminary Survey and Design Charges**

These charges represent engineering, legal, accounting and other incidental costs incurred for the acquisition and or development of future sewer and water systems.

**Other Assets-Capacity Upgrades**

The District's contribution to the Charles Town wastewater treatment plant upgrade is being amortized over the remaining life (25 years) of the associated bonds. The carrying amount of this asset, net of amortization at June 30, 2009 and 2008 is \$928,020 and \$972,212, respectively. (See details on reclassification in Sewer Service Agreement note).

During fiscal year ending June 30, 2008 the District purchased capacity related to a pump station from the Municipality of Ranson in the amount of \$121,151. The District believes it will only need that capacity for about five years. The carrying amount of this asset, net of amortization at June 30, 2009 is \$72,691.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**REVENUE BONDS PAYABLE**

2009

2008

The District was obligated under trust indentures with respect to the following sewer revenue bonds outstanding at June 30, 2009 and 2008:

Series - 1988 B sewer revenue bonds, original face value of \$425,767, payable in annual installments, with principal beginning in 1990 at \$10,917 at 0% interest and concluding October 10, 2028.

\$ 218,344 \$ 229,261

Series - 1993 A sewer revenue bonds, original face value of \$971,000, payable in quarterly installments, with principal beginning March 1, 1994 at \$12,138 at 0% interest and concluding December 1, 2013.

218,466 267,014

Series - 1998 A sewer revenue refinancing bonds, original face value of \$2,430,000, payable in annual installments, with principal and interest beginning October 1, 1998 at 4.15% increasing to 5.25% interest and concluding October 1, 2028.

1,945,000 2,000,000

Series - 1998 B sewer revenue bonds, original face value of \$599,089, payable in quarterly installments, with principal beginning September 1, 1999 at \$7,489 at 0% interest and concluding June 1, 2019.

299,529 329,485

Series - 1998 C sewer revenue bond, Infrastructure fund, original face value of \$662,039, payable in quarterly installments, with principal and interest beginning September 1, 2019 at 1% interest and concluding June 1, 2038.

662,039 662,039

Series - 1999 A sewer revenue bond, original face value of \$378,363, payable in quarterly installments, with principal beginning June 1, 2000 at \$3,154 at 0% interest and concluding March 1, 2030.

261,699 274,311

Series - 2000 A sewer revenue bonds, original face value of \$1,154,889, payable in quarterly installments with principal beginning March 1, 2002 at \$9,625 at 0% interest and concluding December 1, 2031.

866,160 904,656

Series - 2008 A sewer revenue bonds, original face value of \$2,005,000, payable in quarterly installments with principal beginning March 1, 2009 at \$16,709 at 0% interest and concluding December 1, 2038.

1,971,582 2,005,000

Total revenue bonds payable

\$ 6,442,819 \$ 6,671,766

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**REVENUE BONDS PAYABLE (Continued)**

Maturities of sewer revenue bonds payable and interest payments for each of the next five years and in subsequent five-year increments succeeding June 30, 2009 are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u>    | <u>Interest</u>     |
|----------------------------|---------------------|---------------------|
| 2010                       | \$ 267,365          | \$ 100,794          |
| 2011                       | 267,365             | 97,794              |
| 2012                       | 272,362             | 94,794              |
| 2013                       | 272,361             | 91,544              |
| 2014                       | 253,087             | 88,294              |
| 2015-2019                  | 1,209,063           | 383,738             |
| 2020-2024                  | 1,331,514           | 294,409             |
| 2025-2029                  | 1,499,826           | 132,803             |
| 2030-2034                  | 619,128             | 12,242              |
| 2035-2040                  | 450,748             | 3,207               |
|                            | <u>\$ 6,442,819</u> | <u>\$ 1,299,619</u> |

The bond issues are secured by a first lien on the revenues derived from the system and a statutory mortgage

All sewer revenue bonds are on parity with each other.

Sewer revenue bond activity for the year ended June 30, 2008 was as follows:

|               | <u>Balance at<br/>July 01, 2007</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance at<br/>June 30, 2008</u> |
|---------------|-------------------------------------|------------------|-------------------|-------------------------------------|
| Series 1988 B | \$ 240,178                          | \$ -             | \$ 10,917         | \$ 229,261                          |
| Series 1993 A | 315,562                             | -                | 48,548            | 267,014                             |
| Series 1998 A | 2,055,000                           | -                | 55,000            | 2,000,000                           |
| Series 1998 B | 359,441                             | -                | 29,956            | 329,485                             |
| Series 1998 C | 662,039                             | -                | -                 | 662,039                             |
| Series 1999 A | 286,923                             | -                | 12,612            | 274,311                             |
| Series 2000 A | 943,152                             | -                | 38,496            | 904,656                             |
| Series 2008 A | -                                   | 2,005,000        | -                 | 2,005,000                           |

|                                   |                     |                     |                   |              |
|-----------------------------------|---------------------|---------------------|-------------------|--------------|
| Total sewer revenue bonds payable | \$ <u>4,862,295</u> | \$ <u>2,005,000</u> | \$ <u>195,529</u> | \$ 6,671,766 |
|-----------------------------------|---------------------|---------------------|-------------------|--------------|

|                                            |  |  |  |                |
|--------------------------------------------|--|--|--|----------------|
| Less: Current portion due in upcoming year |  |  |  | <u>228,947</u> |
|--------------------------------------------|--|--|--|----------------|

|                                                                                 |  |  |  |                     |
|---------------------------------------------------------------------------------|--|--|--|---------------------|
| Long-term sewer revenue bonds payable at June 30, 2008 (net of current portion) |  |  |  | <u>\$ 6,442,819</u> |
|---------------------------------------------------------------------------------|--|--|--|---------------------|

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**REVENUE BONDS PAYABLE (Continued)**

Sewer revenue bond activity for the year ended June 30, 2009 was as follows:

|                                                                                 | Balance at<br>July 01, 2008 | Additions   | Deductions        | Balance at<br>June 30, 2009 |
|---------------------------------------------------------------------------------|-----------------------------|-------------|-------------------|-----------------------------|
| Series 1988 B                                                                   | \$ 229,261                  | \$ -        | \$ 10,917         | \$ 218,344                  |
| Series 1993 A                                                                   | 267,014                     | -           | 48,548            | 218,466                     |
| Series 1998 A                                                                   | 2,000,000                   | -           | 55,000            | 1,945,000                   |
| Series 1998 B                                                                   | 329,485                     | -           | 29,956            | 299,529                     |
| Series 1998 C                                                                   | 662,039                     | -           | -                 | 662,039                     |
| Series 1999 A                                                                   | 274,311                     | -           | 12,612            | 261,699                     |
| Series 2000 A                                                                   | 904,656                     | -           | 38,496            | 866,160                     |
| Series 2008 A                                                                   | 2,005,000                   | -           | 33,418            | 1,971,582                   |
| Total sewer revenue<br>bond payable                                             | \$ <u>6,671,766</u>         | \$ <u>-</u> | \$ <u>228,947</u> | \$ 6,442,819                |
| Less: Current portion<br>due in upcoming year                                   |                             |             |                   | <u>267,365</u>              |
| Long-term sewer revenue bonds payable at June 30, 2008 (net of current portion) |                             |             |                   | \$ <u>6,175,454</u>         |

The covenants contained in the bond issues include a required debt service coverage ratio of 115%. As of June 30, 2009 and 2008, the District's debt service coverage ratio was 109%, and 147% respectively. Each of the bond issues also requires monthly deposits to the renewal and replacement fund equal to 2 1/2% of monthly gross revenues less reserve funding requirements. For the years ended June 30, 2009 and 2008, the District fully funded the renewal and replacement reserve.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**REVENUE BONDS PAYABLE (Continued)**

**Legal Defeasance of Bonds**

On January 19, 2006, the City of Charles Town issued Combined Waterworks and Sewage System revenue bonds Series 2006 A to advance refund the District's 2003 A and 2003 B Series bonds. The remaining balance of the District's Series 2003 A and 2003 B Series bonds were defeased as part of the transfer of the District's Huntfield assets and customers to the City of Charles Town per West Virginia Public Service Commission (PSC) order dated July 28, 2005. Net proceeds from the issuance of Charles Town's bonds, along with funds in the District's Debt Service and Debt Service Reserve funds for the 2003 A and 2003 B bonds were deposited into an irrevocable trust with an escrow agent to provide debt service payments on the 2003 series bonds until final maturity, June 2006 for Series B bonds and June 2014 for Series A bonds.

Legal defeasance occurs when debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid. The advance refunding of the 2003 A and 2003 B bonds was a legal defeasance per the settlement agreement, and the escrowed amounts and bonds payable have been removed from the District's balance sheet for the year ended June 30, 2006. The amount of unpaid debt at the date of refunding was \$1,460,000. As a result of the advance refunding, the District reduced its total annual debt service requirement by approximately \$110,000. A net loss of \$90,724 was recognized on the transfer of the assets and defeasance of the debt. The outstanding principal of the defeased bonds are \$1,305,000 as of June 30, 2009. (See loss on transfer of facilities note for more detail.)

**NOTES PAYABLE**

Notes payable consist of the following:

|                                                                                                                                                                                                                                                                                                                                                                                              | <u>2009</u>       | <u>2008</u>       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>Sewer Department</b>                                                                                                                                                                                                                                                                                                                                                                      |                   |                   |
| Bond anticipation note payable to the bank in the amount of \$750,000 at the fixed rate of 3.25%, principal due for engineering and other cost associated with the planning of the new treatment plant.                                                                                                                                                                                      | \$ <u>750,000</u> | \$ <u>-</u>       |
| <b>Water Department</b>                                                                                                                                                                                                                                                                                                                                                                      |                   |                   |
| Note payable to the West Virginia Water Development Authority in the original amount of \$145,000 for the temporary financing of the preliminary design of the Blue Ridge Water Project, non-interest bearing, principal deferred (see terms in Deferred Cost of System Design Note), secured by the proceeds of any grants received, proceeds of any bonds, and surplus operating revenues. | \$ <u>145,000</u> | \$ <u>145,000</u> |



Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**CAPITAL IMPROVEMENT FEES**

The District began collecting capital improvement fees in March 2005 for all new connections to the District's system pursuant to a PSC order dated March 28, 2005. This order was modified by an order dated January 30, 2009, to increase the amount of the capital improvement fee collected to \$7,500 from \$1,127 per equivalent dwelling unit.

As required by the previous order, new service connections that will be treated at the Charles Town waste water treatment plant, \$1,127 per equivalent dwelling unit will be maintained in a separate fund administered jointly by the District and, the City of Charles Town, and the Corporation of Ranson and shall only be used for the purpose of improving the Charles Town treatment facilities. The District collected \$37,191 and \$100,303 in fiscal years ended June 30, 2009 and 2008 respectively. The District remitted \$42,826 and \$96,922 to the joint account as of June 30, 2009 and 2008 respectively. The balance of \$0 and \$5,635 is reflected in the District's balance sheet as a current liability payable from the restricted cash as of June 30, 2009 and 2008 respectively.

Per the January 30, 2009 order, new sewer connections that will be treated at the District's Flowing Springs waste water treatment plant and the capital improvement fees collected in excess of amounts required to be remitted to Charles Town, are required to be used to pay down debt service of the construction bonds.

**MISCELLANEOUS OPERATING REVENUES**

Miscellaneous operating revenues - sewer department- consist of the following items:

|                                        | <u>2009</u>      | <u>2008</u>      |
|----------------------------------------|------------------|------------------|
| Transportation credits                 | \$ 37,498        | \$ 41,495        |
| System billing fees - water department | 30,755           | 32,207           |
| Sewer inspection fees                  | 475              | 1,715            |
| Disconnect/reconnect fees              | 1,190            | 930              |
| Other miscellaneous revenue            | <u>6,578</u>     | <u>17,193</u>    |
| Total                                  | \$ <u>76,496</u> | \$ <u>93,540</u> |

**LEASE**

In April 2008, the District entered into a (10) ten year facilities lease agreement with options to extend. The monthly lease payments start at \$5,782 for the first twelve months and escalate at a rate of 3% each year. Minimum future rental payments under non-cancelable operating lease are as follows:

|                                      |                   |
|--------------------------------------|-------------------|
| 2010                                 | \$ 70,769         |
| 2011                                 | 72,892            |
| 2012                                 | 75,079            |
| 2013                                 | 77,331            |
| 2014                                 | 79,651            |
| There after                          | <u>381,176</u>    |
| Total minimum future rental payments | \$ <u>756,898</u> |

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**SEWER SERVICE AGREEMENT**

Effective for service rendered on and after May 1, 2005, by order of the Public Service Commission of West Virginia (PSC), the District is considered a bulk rate customer to the City of Charles Town, therefore, the specific formula used to calculate the amount charged for these sewer services in prior years was changed to include actual usage at a resale rate as stated in the City of Charles Town's sewer tariff, less resale and transportation credits, applicable only to the District. The bulk rate is reflected at gross in the supplemental schedule of operating expenses - sewer department under treatment and disposal rent. The credits are reflected as income in the District's financial statements. The resale credit, which is for the debt incurred by the District as part of the 2000 Charles Town treatment plant upgrade, is reflected as miscellaneous non-operating revenues.

As of July 1, 2005, the District's asset related to the Charles Town wastewater treatment plant upgrade was reclassified from utility plant in service to other assets on the balance sheet and is being amortized over the remaining life (25 years) of the associated bonds for the Charles Town wastewater treatment plant upgrades (Series 2000). The carrying amount of this asset, net of amortization at June 30, 2009 and 2008 is \$928,020 and \$972,212, respectively. The transportation credits are for reimbursement of fixed debt associated with lift stations to transport Charles Town's sewage from the former Sanitary Associates service area, and for flows from the former Sanitary Associates area. These credits are included in miscellaneous operating revenues. During the year ended June 30, 2009 and 2008, treatment expenses totaled \$574,015 and \$579,138, respectively.

Effective December 2005, per the Amendment to Sewer Service Agreement, the District must also remit to Charles Town, on a monthly basis, \$6.10 per equivalent dwelling unit for all new sewer service customers that connect to the sewer system on or after December 2005.

**COMMITMENTS AND CONTINGENCIES**

**Retirement Contributions Payable**

All full-time employees of the District are eligible and must participate in the state PERS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after reaching the age of 60 and accumulating 5 years or more of credited service in force. Benefits generally vest in varying degrees once a member attains 5 or more years of credited service in force. Employees who retire at age 60 with 5 or more years of credited service in force are entitled to pension payments for the rest of their lives equal to 2% of their final, three year average salary times the number of years for which they were employed by a participant in the state PERS.

Pension provisions include deferred allowance whereby an employee may terminate his or her employment with the District after accumulating 5 or more years of credited service in force, but before reaching the age of 60. If the employee does not withdraw his or her accumulated contributions, the employee is entitled to certain pension benefits in accordance with the West Virginia Public Employees Retirement Act.

Pension provisions include annuity options to provide benefits to a member's nominated beneficiary if so elected. In addition, disability retirement is provided for members who meet certain requirements as specified in the act.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**Retirement Contributions Payable (Continued)**

Employees of the District are required to pay 4.5% of their gross earnings to the pension plan. The District is required to make annual contributions to the plan equal to 10.5% of its covered payroll. The District made \$40,618 and \$37,482 of employer contributions to the plan for the years ended June 30, 2009 and 2008, respectively. Information regarding this plan is available from the State of West Virginia.

**OTHER POST EMPLOYMENT BENEFITS**

The District is an active participant with the West Virginia Public Employees Insurance Agency (PEIA), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. PEIA provides medical benefits to retired employees and former employees of participating and non-participating West Virginia government entities. West Virginia Code, Chapter 5, Article 16, assigns the authority to establish and amend benefit provisions to PEIA. PEIA annually issues a publically available financial report that includes financial statements and required supplementary information. That report may be obtained online from PEIA's website: [www.westvirginia.com/peia](http://www.westvirginia.com/peia).

West Virginia Code, Chapter 5, Article 16 provides that contribution requirements of the plan and the participating employers are established and may be amended by PEIA. Participating employers contribute \$140 per month per participating employee.

Participating employers are contractually required to contribute at a rate assessed each year by PEIA. PEIA sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District has not contributed to the post employment health care plan.

**Deferred Cost of System Design**

The District entered into a contract for preconstruction engineering services for design of extensions and improvements to existing water systems in the Blue Ridge Mountain area of Jefferson County. A portion of the cost of these services was paid through a 1997 loan from the West Virginia Infrastructure Council.

As of June 30, 2001, the District's Board voted not to proceed with this project. According to the 1997 loan agreement, if on the 20<sup>th</sup> anniversary of the issuance of the note the District has not received any grants, other than Infrastructure Fund grants, has not issued obligations to repay the notes and has not constructed any improvements to its system, then the notes will convert to a grant and cancel the note. The District asked the Infrastructure Council to convert this note to a grant. The request was denied. The Infrastructure Council purported to modify the terms of the loan unilaterally, and requested repayment from the District under a unilaterally established repayment schedule. The District has never agreed to the revised terms. Further, before the District could commence making payment to the Infrastructure Council under their proposed revised terms, the District would need to obtain the approval of such revised terms from the Public Service Commission.

The District has neither sought nor obtained such approval from the Public Service Commission; therefore the District is prohibited from making any payments on this loan.

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**PUBLIC PRIVATE PARTNERSHIP**

The District joined a public private partnership with Jefferson Utilities, Inc. ("JUI"). JUI owns a water system serving approximately 400 customers which is currently known as Mountain Water Systems. It is estimated that approximately \$16 million of improvements to the system would be required to improve compliance with the state regulatory requirements and provide adequate water supply.

In this partnership, the District is considered the project sponsor and will apply for all public funding. The District will also be responsible for bidding and applying for all necessary permits for the construction of the project, except for the application to the Public Service Commission for a certificate of convenience and necessity and for the approval of this agreement and the request for the Bureau for Public Health for a permit, all of which shall be submitted jointly.

The project facilities will be owned by the District and a user fee will be charged to JUI at a level necessary for the District to fully satisfy its financial obligations on the project funding including, as necessary, principal and interest payments, reserve requirements, renewal and replacement funding requirements, coverage requirements, and any of the District's management costs related to the Mountain Water Systems.

The agreement will terminate upon the earliest of the following: (1) closing on funding for the project has not occurred by December 31, 2011; (2) closing has occurred on the District's exercise of its JUI purchase option; or (3) project funding has been fully amortized. The District invested approximately \$25,000 through June 30, 2009 related to this partnership.

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash and cash equivalents consist of the following at June 30, 2009 and 2008:

|                 | <u>2009</u>       |                     | <u>2008</u>       |                     |
|-----------------|-------------------|---------------------|-------------------|---------------------|
|                 | <u>Water</u>      | <u>Sewer</u>        | <u>Water</u>      | <u>Sewer</u>        |
| Cash            | \$ 128,143        | \$ 382,440          | \$ 160,181        | \$ 427,393          |
| Restricted cash | <u>3,674</u>      | <u>776,785</u>      | <u>4,010</u>      | <u>1,247,917</u>    |
| Total           | \$ <u>131,817</u> | \$ <u>1,159,225</u> | \$ <u>164,191</u> | \$ <u>1,675,310</u> |

Schedule of Noncash Investing and Financing activities at June 30, 2009 and 2008 - Sewer:

|                                      | <u>2009</u>     | <u>2008</u>        |
|--------------------------------------|-----------------|--------------------|
| Bond financed note pay off           | \$ <u>-</u>     | \$ <u>926,785</u>  |
| Bond financed payments to developers | \$ <u>-</u>     | \$ <u>429,142</u>  |
| Loss on dropped projects             | \$ <u>(878)</u> | \$ <u>(10,266)</u> |

Jefferson County Public Service District

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2009 and 2008

**FLOWING SPRINGS WASTEWATER TREATMENT PLANT ANTICIPATED FUNDING**

The District is in the planning phase for expansion of a developer donated, state-of-the-art wastewater treatment plant in the Flowing Springs watershed, also known as the Flowing Springs wastewater treatment plant, at an estimated cost of \$27.5 million. The District expects to finance the project for \$26.5 million at 0% interest with 1/2% annual administration fee for 30 years from the State Revolving Fund Program. The remainder of the project will be financed through developer contributions.

## SUPPLEMENTAL INFORMATION

Jefferson County Public Service District

**BUDGETARY COMPARISON SCHEDULE - WATER DEPARTMENT**

For the year ended June 30, 2009

|                                                   | Budgeted<br>Amounts<br><u>Original</u> | Budgeted<br>Amounts<br><u>Final</u> | Actual<br>Amounts<br>Budgetary<br><u>Basis</u> | Budget<br>to GAAP<br>Differences<br><u>Over (under)</u> | Actual<br>Amounts<br><u>GAAP Basis</u> |
|---------------------------------------------------|----------------------------------------|-------------------------------------|------------------------------------------------|---------------------------------------------------------|----------------------------------------|
| <b>REVENUES</b>                                   |                                        |                                     |                                                |                                                         |                                        |
| Operating revenues                                | \$ 50,500                              | \$ 50,500                           | \$ 50,198 (C)                                  | \$ 174                                                  | \$ 50,372                              |
| Non-operating revenues                            | (B) <u>4,300</u>                       | <u>4,300</u>                        | <u>826</u>                                     | <u>(826)</u>                                            | <u>-</u>                               |
| Total revenues                                    | <u>54,800</u>                          | <u>54,800</u>                       | <u>51,024</u>                                  | <u>(652)</u>                                            | <u>50,372</u>                          |
| <b>REVENUE DEDUCTIONS<br/>BEFORE DEPRECIATION</b> |                                        |                                     |                                                |                                                         |                                        |
| Operating expenses                                | <u>39,700</u>                          | <u>39,700</u>                       | <u>41,639</u>                                  | <u>-</u>                                                | <u>41,639</u>                          |
| Income before depreciation                        | <u>15,100</u>                          | <u>15,100</u>                       | <u>9,385</u>                                   | <u>(652)</u>                                            | <u>8,733</u>                           |
| <b>DEPRECIATION</b>                               | (A) <u>-</u>                           | <u>-</u>                            | <u>-</u>                                       | <u>5,172</u>                                            | <u>5,172</u>                           |
| Income before non-operating<br>expenses           | <u>15,100</u>                          | <u>15,100</u>                       | <u>9,385</u>                                   | <u>(5,824)</u>                                          | <u>3,561</u>                           |
| <b>NON-OPERATING INCOME (EXPENSES)</b>            |                                        |                                     |                                                |                                                         |                                        |
| Interest income                                   | (B) <u>-</u>                           | <u>-</u>                            | <u>-</u>                                       | <u>826</u>                                              | <u>826</u>                             |
| Interest expense                                  | <u>-</u>                               | <u>-</u>                            | <u>-</u>                                       | <u>(9)</u>                                              | <u>(9)</u>                             |
| Total non-operating income (expenses)             | <u>-</u>                               | <u>-</u>                            | <u>-</u>                                       | <u>817</u>                                              | <u>817</u>                             |
| Increase (decrease) in net assets                 | <u>15,100</u>                          | <u>15,100</u>                       | <u>9,385</u>                                   | <u>(5,007)</u>                                          | <u>4,378</u>                           |
| Net assets at beginning of year                   | <u>255,934</u>                         | <u>255,934</u>                      | <u>255,934</u>                                 | <u>255,934</u>                                          | <u>255,934</u>                         |
| Net assets at end of year                         | \$ <u>271,034</u>                      | \$ <u>271,034</u>                   | \$ <u>265,319</u>                              | \$ <u>250,927</u>                                       | \$ <u>260,312</u>                      |

**NOTES:**

- (A) Non-cash items are not included for budgetary purposes.
- (B) For budgetary purposes, includes interest earned.
- (C) Miscellaneous revenues included in non-operating revenues for budgetary purposes.

See independent auditors' report.

Jefferson County Public Service District

**BUDGETARY COMPARISON SCHEDULE - WATER DEPARTMENT**

For the year ended June 30, 2008

|                                                   | Budgeted<br>Amounts<br><u>Original</u> | Budgeted<br>Amounts<br><u>Final</u> | Actual<br>Amounts<br>Budgetary<br><u>Basis</u> | Budget<br>to GAAP<br>Differences<br><u>Over (under)</u> | Actual<br>Amounts<br><u>GAAP Basis</u> |
|---------------------------------------------------|----------------------------------------|-------------------------------------|------------------------------------------------|---------------------------------------------------------|----------------------------------------|
| <b>REVENUES</b>                                   |                                        |                                     |                                                |                                                         |                                        |
| Operating revenues                                | \$ 50,500                              | \$ 50,500                           | \$ 51,851 (C)                                  | 450                                                     | \$ 52,301                              |
| Non-operating revenues                            | (B) 4,300                              | 4,300                               | 4,235                                          | (4,235)                                                 | -                                      |
| Total revenues                                    | <u>54,800</u>                          | <u>54,800</u>                       | <u>56,086</u>                                  | <u>(3,785)</u>                                          | <u>52,301</u>                          |
| <b>REVENUE DEDUCTIONS<br/>BEFORE DEPRECIATION</b> |                                        |                                     |                                                |                                                         |                                        |
| Operating expenses                                | <u>39,700</u>                          | <u>39,700</u>                       | <u>43,406</u>                                  | -                                                       | <u>43,406</u>                          |
| Income before depreciation                        | 15,100                                 | 15,100                              | 12,680                                         | (3,785)                                                 | 8,895                                  |
| <b>DEPRECIATION</b>                               | (A) -                                  | -                                   | -                                              | 4,566                                                   | 4,566                                  |
| Income before non-operating<br>expenses           | <u>15,100</u>                          | <u>15,100</u>                       | <u>12,680</u>                                  | <u>(8,351)</u>                                          | <u>4,329</u>                           |
| <b>NON-OPERATING INCOME (EXPENSES)</b>            |                                        |                                     |                                                |                                                         |                                        |
| Interest income                                   | (B) -                                  | -                                   | -                                              | 4,235                                                   | 4,235                                  |
| Interest expense                                  | -                                      | -                                   | -                                              | (3)                                                     | (3)                                    |
| Total non-operating income (expenses)             | <u>-</u>                               | <u>-</u>                            | <u>-</u>                                       | <u>4,232</u>                                            | <u>4,232</u>                           |
| Increase (decrease) in net assets                 | 15,100                                 | 15,100                              | 12,680                                         | (4,119)                                                 | 8,561                                  |
| Net assets at beginning of year                   | <u>247,373</u>                         | <u>247,373</u>                      | <u>247,373</u>                                 | -                                                       | <u>247,373</u>                         |
| Net assets at end of year                         | \$ <u>262,473</u>                      | \$ <u>262,473</u>                   | \$ <u>260,053</u>                              | \$ <u>(4,119)</u>                                       | \$ <u>255,934</u>                      |

NOTES:

- (A) Non-cash items are not included for budgetary purposes.
- (B) For budgetary purposes, includes interest earned.
- (C) Miscellaneous revenues included in non-operating revenues for budgetary purposes.

See independent auditors' report.



Jefferson County Public Service District

**BUDGETARY COMPARISON SCHEDULE - SEWER DEPARTMENT**

For the year ended June 30, 2009

|                                                                                   | Budgeted<br>Amounts<br>Original | Budgeted<br>Amounts<br>Final | Actual<br>Amounts<br>Budgetary<br>Basis | Budget<br>to GAAP<br>Differences<br>Over (under) | Actual<br>Amounts<br>GAAP Basis |
|-----------------------------------------------------------------------------------|---------------------------------|------------------------------|-----------------------------------------|--------------------------------------------------|---------------------------------|
| <b>REVENUES</b>                                                                   |                                 |                              |                                         |                                                  |                                 |
| Operating revenues                                                                | \$ 2,027,000                    | \$ 1,927,000                 | \$ 1,840,095 (F)                        | \$ 87,389                                        | \$ 1,927,484                    |
| Non-operating revenues                                                            | (C) 170,000                     | 142,000                      | 128,435                                 | (128,435)                                        | -                               |
| Total revenues                                                                    | 2,197,000                       | 2,069,000                    | 1,968,530                               | (41,046)                                         | 1,927,484                       |
| <b>REVENUE DEDUCTIONS<br/>BEFORE DEPRECIATION</b>                                 |                                 |                              |                                         |                                                  |                                 |
| Operating expenses                                                                | 1,637,885                       | 1,587,885                    | 1,578,240                               | -                                                | 1,578,240                       |
| Income before depreciation                                                        | 559,115                         | 481,115                      | 390,290                                 | (41,046)                                         | 349,244                         |
| <b>DEPRECIATION</b>                                                               | (A) -                           | -                            | -                                       | 330,434                                          | 330,434                         |
| Income before non-operating<br>expenses                                           | 559,115                         | 481,115                      | 390,290                                 | (371,480)                                        | 18,810                          |
| <b>NON-OPERATING INCOME (EXPENSES)</b>                                            |                                 |                              |                                         |                                                  |                                 |
| Interest income                                                                   | (C) -                           | -                            | -                                       | 10,355                                           | 10,355                          |
| Loss on disposal of assets                                                        | (A) -                           | -                            | -                                       | 25                                               | 25                              |
| Interest expense                                                                  | (B) -                           | -                            | -                                       | (116,187)                                        | (116,187)                       |
| Amortization of debt issue expense and<br>other assets - treatment plant upgrades | (A) -                           | -                            | -                                       | (82,608)                                         | (82,608)                        |
| Loss due to dropped projects                                                      | (A) -                           | -                            | -                                       | (878)                                            | (878)                           |
| Miscellaneous non-operating revenues                                              | (A) -                           | -                            | -                                       | 41,412                                           | 41,412                          |
| Total non-operating income (expenses)                                             | -                               | -                            | -                                       | (147,881)                                        | (147,881)                       |
| Increase (decrease) in net assets<br>before capital contributions                 | 559,115                         | 481,115                      | 390,290                                 | (519,361)                                        | (129,071)                       |
| <b>CAPITAL CONTRIBUTIONS</b>                                                      | (A) (C) -                       | -                            | -                                       | 13,246                                           | 13,246                          |
| <b>OTHER FINANCING SOURCES (USES)</b>                                             |                                 |                              |                                         |                                                  |                                 |
| Renewal and replacement funds                                                     | (54,925)                        | (51,725)                     | (49,254) (E)                            | 49,254                                           | -                               |
| Debt service                                                                      | (D) (308,974)                   | (393,000)                    | (341,004) (E)                           | 341,004                                          | -                               |
| Total other financing (uses)                                                      | (363,899)                       | (444,725)                    | (390,258)                               | 390,258                                          | -                               |
| Increase (decrease) in net assets                                                 | 195,216                         | 36,390                       | 32                                      | (115,857)                                        | (115,825)                       |
| Net assets at beginning of year                                                   | 8,619,353                       | 8,619,353                    | 8,619,353                               | -                                                | 8,619,353                       |
| Net assets at end of year                                                         | \$ 8,814,569                    | \$ 8,655,743                 | \$ 8,619,385                            | \$ (115,857)                                     | \$ 8,503,528                    |

**NOTES:**

- (A) Non-cash items are not included for budgetary purposes.
- (B) Interest expense is included in debt service for budgetary purposes.
- (C) For budgetary purposes, includes interest earned on debt service and other funds, capital contributions, developer guaranteed minimum payments and miscellaneous operating revenues.
- (D) Budget includes principal, interest, and funding of debt service and reserve funds.
- (E) Balance sheet transactions are excluded from revenues and expenses under GAAP.
- (F) Miscellaneous revenues included in non-operating revenues for budgetary purposes.

See independent auditors' report.

Jefferson County Public Service District

**BUDGETARY COMPARISON SCHEDULE - SEWER DEPARTMENT**

For the year ended June 30, 2008

|                                                                                   | Budgeted<br>Amounts<br>Original | Budgeted<br>Amounts<br>Final | Actual<br>Amounts<br>Budgetary<br>Basis | Budget<br>to GAAP<br>Differences<br>Over (under) | Actual<br>Amounts<br>GAAP Basis |
|-----------------------------------------------------------------------------------|---------------------------------|------------------------------|-----------------------------------------|--------------------------------------------------|---------------------------------|
| <b>REVENUES</b>                                                                   |                                 |                              |                                         |                                                  |                                 |
| Operating revenues                                                                | \$ 1,862,000                    | \$ 2,000,000                 | \$ 1,988,939 (F)                        | 33,770                                           | \$ 2,022,709                    |
| Non-operating revenues                                                            | (C) 86,400                      | 148,000                      | 168,438                                 | (168,438)                                        | -                               |
| Total revenues                                                                    | 1,948,400                       | 2,148,000                    | 2,157,377                               | (134,668)                                        | 2,022,709                       |
| <b>REVENUE DEDUCTIONS<br/>BEFORE DEPRECIATION</b>                                 |                                 |                              |                                         |                                                  |                                 |
| Operating expenses                                                                | 1,351,955                       | 1,540,075                    | 1,561,484                               | -                                                | 1,561,484                       |
| Income before depreciation                                                        | 596,445                         | 607,925                      | 595,893                                 | (134,668)                                        | 461,225                         |
| <b>DEPRECIATION</b>                                                               | (A) -                           | -                            | -                                       | 303,440                                          | 303,440                         |
| Income before non-operating<br>expenses                                           | 596,445                         | 607,925                      | 595,893                                 | (438,108)                                        | 157,785                         |
| <b>NON-OPERATING INCOME (EXPENSES)</b>                                            |                                 |                              |                                         |                                                  |                                 |
| Interest income                                                                   | (C) -                           | -                            | -                                       | 38,668                                           | 38,668                          |
| Loss on disposal of assets                                                        | (A) -                           | -                            | -                                       | (1,394)                                          | (1,394)                         |
| Developer guaranteed minimum payment                                              | (C) -                           | -                            | -                                       | -                                                | -                               |
| Interest expense                                                                  | (B) -                           | -                            | -                                       | (117,987)                                        | (117,987)                       |
| Amortization of debt issue expense and<br>other assets - treatment plant upgrades | (A) -                           | -                            | -                                       | (81,209)                                         | (81,209)                        |
| Loss due to dropped projects                                                      | (A) -                           | -                            | -                                       | (10,266)                                         | (10,266)                        |
| Miscellaneous non-operating revenues                                              | (A) -                           | -                            | -                                       | 41,412                                           | 41,412                          |
| Total non-operating income (expenses)                                             | -                               | -                            | -                                       | (130,776)                                        | (130,776)                       |
| Increase (decrease) in net assets<br>before capital contributions                 | 596,445                         | 607,925                      | 595,893                                 | (568,884)                                        | 27,009                          |
| <b>CAPITAL CONTRIBUTIONS</b>                                                      | (A) (C) -                       | -                            | -                                       | -                                                | -                               |
| <b>OTHER FINANCING SOURCES (USES)</b>                                             |                                 |                              |                                         |                                                  |                                 |
| Renewal and replacement funds                                                     | (48,710)                        | (48,710)                     | (54,972) (E)                            | 54,972                                           | -                               |
| Debt service                                                                      | (D) (393,000)                   | (393,000)                    | (319,186) (E)                           | 319,186                                          | -                               |
| Total other financing (uses)                                                      | (441,710)                       | (441,710)                    | (374,158)                               | 374,158                                          | -                               |
| Increase (decrease) in net assets                                                 | 154,735                         | 166,215                      | 221,735                                 | (194,726)                                        | 27,009                          |
| Net assets at beginning of year, restated                                         | 8,592,344                       | 8,592,344                    | 8,592,344                               | -                                                | 8,592,344                       |
| Net assets at end of year                                                         | \$ 8,747,079                    | \$ 8,758,559                 | \$ 8,814,079                            | \$ (194,726)                                     | \$ 8,619,353                    |

**NOTES:**

- (A) Non-cash items are not included for budgetary purposes.
- (B) Interest expense is included in debt service for budgetary purposes.
- (C) For budgetary purposes, includes interest earned on debt service and other funds, capital contributions, developer guaranteed minimum payments and miscellaneous operating revenues.
- (D) Budget includes principal, interest, and funding of debt service and reserve funds.
- (E) Balance sheet transactions are excluded from revenues and expenses under GAAP.
- (F) Miscellaneous revenues included in non-operating revenues for budgetary purposes.

See Independent auditors' report.

Jefferson County Public Service District

**SCHEDULES OF OPERATING EXPENSES - WATER DEPARTMENT**

For the years ended June 30, 2009 and 2008

|                                            | <u>2009</u>      | <u>2008</u>      |
|--------------------------------------------|------------------|------------------|
| <b>SOURCE OF SUPPLY EXPENSES</b>           |                  |                  |
| Repairs and maintenance                    | \$ 2,766         | \$ 1,268         |
| Operation supplies and expenses            | <u>1,658</u>     | <u>3,685</u>     |
| Total                                      | <u>4,424</u>     | <u>4,953</u>     |
| <b>PUMPING EXPENSES</b>                    |                  |                  |
| Repairs and maintenance                    | 2,752            | 764              |
| Power gas and electric                     | 16,131           |                  |
| Operation supplies and expenses            | <u>3,003</u>     | <u>3,427</u>     |
| Total                                      | <u>21,886</u>    | <u>4,191</u>     |
| <b>BILLING AND COLLECTING EXPENSES</b>     |                  |                  |
| Meter reading, accounting and collection   | <u>14,734</u>    | <u>32,266</u>    |
| <b>ADMINISTRATIVE AND GENERAL EXPENSES</b> |                  |                  |
| Professional fees                          | -                | 1,033            |
| Miscellaneous expenses                     | <u>595</u>       | <u>963</u>       |
| Total                                      | <u>595</u>       | <u>1,996</u>     |
| Total operating expenses                   | \$ <u>41,639</u> | \$ <u>43,406</u> |

See independent auditors' report.

Jefferson County Public Service District

**SCHEDULES OF OPERATING EXPENSES - SEWER DEPARTMENT**

For the years ended June 30, 2009 and 2008

|                                               | <u>2009</u>         | <u>2008</u>         |
|-----------------------------------------------|---------------------|---------------------|
| <b>COLLECTING EXPENSES</b>                    |                     |                     |
| Operation labor                               | \$ 34,261           | \$ 48,783           |
| Supplies and expense                          | <u>7,635</u>        | <u>32,412</u>       |
| Total                                         | <u>41,896</u>       | <u>81,195</u>       |
| <b>PUMPING SYSTEM</b>                         |                     |                     |
| Operation labor                               | 58,584              | 66,046              |
| Power purchased for pumping                   | 35,542              | 36,908              |
| Pumping and supplies                          | 23,508              | 27,374              |
| Pumping maintenance                           | <u>69,086</u>       | <u>84,732</u>       |
| Total                                         | <u>186,720</u>      | <u>215,060</u>      |
| <b>TREATMENT AND DISPOSAL SYSTEM EXPENSES</b> |                     |                     |
| Operation labor                               | 3,888               | 4,373               |
| Supplies and expense                          | 5,189               | 5,595               |
| Treatment and disposal rent                   | <u>574,015</u>      | <u>579,138</u>      |
| Total                                         | <u>583,092</u>      | <u>589,106</u>      |
| <b>BILLING AND COLLECTING EXPENSES</b>        |                     |                     |
| Meter reading, accounting and collection      | <u>74,588</u>       | <u>73,321</u>       |
| <b>ADMINISTRATIVE AND GENERAL EXPENSES</b>    |                     |                     |
| General office salaries                       | 195,014             | 175,140             |
| Employee benefits                             | 129,669             | 117,816             |
| Office supplies and expense                   | 73,243              | 69,563              |
| Insurance                                     | 32,007              | 27,180              |
| Professional fees                             | 110,992             | 106,965             |
| Miscellaneous general expense                 | 21,536              | 20,812              |
| Directors' fees                               | 5,050               | 4,780               |
| Rent                                          | 57,336              | 12,000              |
| Regulatory commission expense and penalties   | 16,158              | 13,253              |
| Transportation expense                        | 4,022               | 6,189               |
| Utilities                                     | 16,614              | 16,433              |
| Bad debts                                     | 14,515              | 17,840              |
| Repairs and maintenance                       | <u>15,788</u>       | <u>14,831</u>       |
| Total                                         | <u>691,944</u>      | <u>602,802</u>      |
| Total operating expenses                      | \$ <u>1,578,240</u> | \$ <u>1,561,484</u> |

See independent auditors' report.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Members of the Public Service Board  
Jefferson County Public Service District

We have audited the accompanying financial statements of the business-type activities of the Jefferson County Public Service ("District") as of and for the years ended June 30, 2009 and 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, or material weakness. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings as 2009-1 to be a significant deficiency in the internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above, as item 2009-1 to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings as item 2009-2.

We noted certain matters that we reported to management of the District in a separate letter dated December 1, 2009.

This report is intended solely for the information and use of the District and its various regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Cox Hollida Price LLP*

Martinsburg, WV

December 1, 2009

Jefferson County Public Service District

**SCHEDULE OF FINDINGS AND RESPONSES**

For the year ended June 30, 2009

**Internal Control**

2009-1

**Condition:**

Timesheets for the payroll periods during January 2008 through June 2008 were not available for our testing.

**Criteria:**

All timesheets should be prepared by each employee and reviewed and approved by management. Timesheets noted above were not available to support payroll hours and management approval.

**Effect:**

Not all payroll checks had supporting timesheets to validate corresponding payroll check.

**Recommendation:**

We recommend that the District review its file retention and management policies to ensure that controls are adequate.

**Audited Agency's Response:**

We concur with the recommendation and the timesheets will be kept in storage after general manager review and approval.

**Compliance**

2009-2

**Condition:**

District did not maintain rates established at a sufficient level to enable a bond coverage ratio of 115% for revenue bonds. The June 30, 2009 revenue bond coverage ratio is 109%.

**Criteria:**

Revenue bond covenants require a minimum coverage ratio of 115% of amount required to pay the highest succeeding fiscal year debt service (principal and interest) on all revenue bonds outstanding after payment of operations.

**Effect:**

Coverage ratio is less than mandated by bond covenants.

**Recommendation:**

We recommend that the District maintain rates established at a level sufficient to provide a minimum coverage ratio of 115%.

**Audited Agency's Response:**

We concur with the recommendation. The District has submitted a rate case for a new tariff rate in order to meet future debt service coverage requirements.

# APPENDIX C



**(THIS PAGE INTENTIONALLY LEFT BLANK)**

[LETTERHEAD OF SPILMAN THOMAS & BATTLE, PLLC]  
(Form of Approving Opinion of Bond Counsel)

June 24, 2010

\$1,895,000

Jefferson County Public Service District (West Virginia)  
Sewer Refunding Revenue Bonds, 2010 Series A

Jefferson County Public Service District  
Ranson, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Jefferson County Public Service District (West Virginia) (the "Issuer") of its \$1,895,000 in aggregate principal amount of Sewer Refunding Revenue Bonds, 2010 Series A (the "Bonds"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion. We have also examined an unauthenticated specimen Bond. Capitalized terms used but not defined in this opinion shall have the meanings assigned to them under the Resolution (as hereinafter defined).

The Issuer, a public service district and public corporation under and pursuant to the laws of the State of West Virginia (the "State"), is empowered and authorized to issue bonds pursuant to Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act") and a Bond Resolution duly adopted by the Issuer on April 6, 2010 (the "Resolution"). Proceeds of the Bonds will be used for the purpose of paying a portion of the costs necessary to (i) currently refund the Issuer's outstanding Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 of which \$1,885,000 of principal is presently outstanding (the "Series 1998 A Bonds"); (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance of the Bonds and related costs.

The Bonds will mature on such dates in each of the years, in the respective principal amounts, and bear interest from their date at the respective rates per annum, as set forth or provided in a Certificate of Determination, dated as of June 17, 2010, executed by an authorized officer of the Issuer, all as provided under the Resolution. The provisions for redemption of the Bonds are provided in the Certificate of Determination.

Jefferson County Public Service District  
Crews & Associates, Inc.  
June 24, 2010  
Page 2

The Issuer has also entered into a Tax Compliance Certificate, dated as of June 24, 2010 (the "Tax Certificate").

Reference is made to the opinion of James V. Kelsh, Esquire, as counsel to the Issuer, dated of even date herewith, with respect to (i) the power and authority of the Issuer to enter into the Purchase Contract dated June 17, 2010, by and between Crews & Associates, Inc. and the Issuer (the "Purchase Contract"), the Escrow Agreement dated June 24, 2010, by and between the Issuer and the West Virginia Municipal Bond Commission (the "Escrow Agreement") and the Continuing Disclosure Agreement dated June 24, 2010, by and between the Issuer and The Bank of New York Mellon, as dissemination agent (the "Continuing Disclosure Agreement" and together with the Purchase Contract and the Escrow Agreement, collectively, the "Bond Documents"), (ii) the due authorization, execution and delivery by the Issuer of the Bond Documents, and (iii) the binding effect and enforceability of the Bond Documents upon the Issuer. No opinion as to such matters is expressed herein.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the Issuer with respect to certain facts relevant to both our opinion and the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Issuer has covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds, and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents providing for the issuance of the Bonds (the "Covenants").

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly created and validly existing public service district and public corporation under and pursuant to the laws of the State, with power to adopt the Resolution, to execute and deliver the Tax Certificate and to perform the agreements on its part contained therein and to issue the Bonds.
2. The Resolution has been duly adopted by the Issuer, is in full force and effect as of the date hereof, and is valid and binding upon the Issuer and enforceable against the Issuer in accordance with its terms.
3. The Tax Certificate has been duly authorized, executed and delivered by the Issuer and constitutes the valid and binding agreement of the Issuer, enforceable in accordance with the terms thereof.

4. The Resolution creates the valid pledge which it purports to create of the Net Revenues of the System (as defined in the Resolution), on a parity with the Issuer's Prior Bonds, and other funds and accounts pledged under the Resolution, subject to the terms thereof.

5. The Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, are valid and binding special, limited obligations of the Issuer, payable solely from the sources provided therefor in the Resolution.

6. Under current law, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For purposes of computing the alternative minimum tax on corporations (as defined for federal tax purposes), such interest is taken into account in determining adjusted net book income. The preceding opinion is subject to the condition that all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be, or continue to be, excludable from gross income for federal income tax purposes are so satisfied, and therefore failure by the Issuer to comply with the Covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. We express no opinion regarding any other tax consequences of the ownership of or receipt or accrual of interest on the Bonds. Furthermore, we express no opinion as to the effect on the excludability of the interest on the Bonds from gross income of (a) any event for which the Resolution requires the obtaining of an opinion of Bond Counsel, as defined in the Resolution or (b) any amendment of the Resolution or waiver of the terms thereof.

7. Under the Act, the Bonds and the interest thereon are exempt from all taxation by the State of West Virginia and the other taxing bodies of the State.

8. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and has covenanted that it does not reasonably expect to issue more than \$30,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligations) during the calendar year 2010. Therefore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

9. The Series 1998 A Bonds have been paid within the meaning and with the effect expressed in the 1998 Resolution, and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 1998 A Bonds have been satisfied and

Jefferson County Public Service District  
Crews & Associates, Inc.  
June 24, 2010  
Page 4

discharged. In rendering the opinion set forth in this paragraph, we have relied upon the opinion of certain independent certified public accountants relating to the sufficiency of the moneys on deposit in the Escrow Fund to provide for the payment of the Redemption Price of the Bonds on the Redemption Date.

The rights of the holders of the Bonds and the enforceability of the Bonds, the Resolution, the Tax Certificate and the liens and pledges set forth therein may be subject to and limited by bankruptcy laws and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable and that the enforcement thereof may also be subject to general principles of equity and to the exercise of judicial discretion.

Our services as bond counsel to the Issuer has been limited to rendering the foregoing opinion based upon our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest thereon.

This opinion is rendered as of the date hereof. We are under no obligation to, nor will we, update or revise this opinion due to events occurring after the date hereof which change the facts or law upon which this opinion is based.

This opinion is rendered to the addressees set forth above solely for their use in connection with the transactions contemplated under the Resolution, is solely for the benefit of those addressees, and their respective successors and assigns; and, except where we have given our prior written consent, may not be relied upon by anyone else or used for any purpose other than in connection with the consummation of the transactions contemplated in the Resolution.

Very truly yours,

Spilman Thomas & Battle, PLLC

# APPENDIX D

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA)

RESOLUTION OF THE JEFFERSON COUNTY PUBLIC SERVICE DISTRICT AUTHORIZING THE ISSUANCE OF THE SEWER REFUNDING REVENUE BONDS, 2010 SERIES A IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$1,975,000, FOR THE PURPOSES OF CURRENTLY REFUNDING, TOGETHER WITH OTHER FUNDS OF THE DISTRICT, THE SEWER REFUNDING REVENUE BONDS, SERIES 1998A AND PAYING THE COSTS OF ISSUANCE THEREOF; AUTHORIZING THE REFUNDING OF SUCH BONDS; PROVIDING AS TO THE TERMS AND PROVISIONS OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS; DESIGNATING A TRUSTEE AND PAYING AGENT; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS WITH RESPECT THERETO.

WHEREAS, Jefferson County Public Service District (the "Issuer") presently owns and operates a public sewerage system (the "System") and has heretofore financed, in part, the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of the Prior Bonds (as hereinafter defined), including its Sewer Refunding Revenue Bonds, Series 1998A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 (the "Bonds to be Refunded");

WHEREAS, under the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and empowered to issue refunding revenue bonds for the purpose of retiring or refinancing all or any apart of the outstanding Bonds to be Refunded;

WHEREAS, the Issuer is advised that present value debt service savings will be realized as a result of the refunding of the Bonds to be Refunded;

WHEREAS, the Issuer has determined and hereby determines that it would therefore be to the benefit of the Issuer and its customers to refund the Bonds to be Refunded and to redeem the Bonds to be Refunded on the Redemption Date (hereinafter defined), in the manner set forth herein with proceeds of a series of bonds to be designated "Sewer Refunding Revenue Bonds, 2010 Series A" (the "2010 Bonds"), in the maximum aggregate principal amount of not more than \$1,975,000, together with other moneys of the Issuer;



WHEREAS, the Bonds to be Refunded were issued pursuant to a resolution of the Issuer duly adopted on February 26, 1998, as supplemented by a resolution of the Issuer duly adopted on February 26, 1998 (collectively, the "1998 Resolution");

WHEREAS, the Issuer now desires to authorize the refunding of the Bonds to be Refunded as aforesaid, and to provide for the financing thereof by the issuance of the 2010 Series A Bonds as hereinafter provided;

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF JEFFERSON COUNTY  
PUBLIC SERVICE DISTRICT:

## ARTICLE I

### DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

Section 1.01. Definitions. All capitalized terms used in this Resolution and not otherwise defined in the recitals or in the text hereof shall have the meanings specified below, unless the context expressly requires otherwise:

"2010 Series A Bonds" or "Bonds" means the Sewer Refunding Revenue Bonds, 2010 Series A of the Issuer, originally authorized to be issued pursuant to this Resolution.

"2010 Series A Bonds Redemption Account" means the 2010 Series A Bonds Redemption Account created by Section 4.02 hereof.

"2010 Series A Bonds Reserve Account" means the 2010 Series A Bonds Reserve Account created by Section 4.02 hereof.

"2010 Series A Bonds Reserve Requirement" means, as of any date of calculation, the lesser of (i) 10% of the original stated principal amount of the 2010 Series A Bonds; (ii) the maximum amount of principal and interest which will become due on the 2010 Series A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the 2010 Series A Bonds.

"2010 Series A Bonds Sinking Fund" means the 2010 Series A Bonds Sinking Fund created by Section 4.02 hereof.

"Act" means Chapter 16, Article 13A of the West Virginia Code of 1931, as amended and in effect on the date of delivery of the 2010 Series A Bonds.

"Authority" means the West Virginia Water Development Authority.

"Authority Bonds" means, collectively, the bonds which the Authority, or its successor, is the original purchaser of, being the Series 1993 A Bonds, the Series 1998 B Bonds, the Series 1998 C Bonds, the Series 1999 A Bonds, the Series 2000 A Bonds and the Series 2008 A Bonds.

"Authorized Denominations" means denominations of \$5,000 and any integral multiple thereof.

"Authorized Newspaper" means a financial journal or newspaper of general circulation in the City of New York, New York, printed in the English language and customarily published on each business day of the Registrar, whether or not published on Saturdays, Sundays or legal holidays, and so long as so published, shall include The Bond Buyer and Redemption Digest.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any Acting Chairman duly selected by the Governing Body.

"Beneficial Owner" means the purchaser of a beneficial interest in the Bonds when the Bonds are held by the Securities Depository in the Book-Entry System, and otherwise means a Bondholder.

"Bond Commission" means the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia which succeeds to the functions of the Bond Commission.

"Bond Counsel" shall mean any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal Bonds, appointed by the Issuer, and shall initially mean Spilman Thomas & Battle, PLLC, Charleston, West Virginia.

"Bondholder," "Holder of the Bonds," "Owner of the Bonds" or any similar term means any person who shall be the registered owner of any outstanding Bond.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Bonds.

"Bond Year" means the 12-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, or such other period as shall be determined by the Issuer, except that the first Bond Year shall begin on the Closing Date.

"Bonds" means, collectively, the 2010 Series A Bonds and the Prior Bonds, and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

"Bonds to be Refunded" means the Issuer's Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000.

"Book-Entry System" means the system maintained by the Securities Depository described in Section 3.11.

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations or West Virginia banking corporations are authorized by law to remain closed.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the 2010 Series A Bonds, in substantially the form set forth in Exhibit A - BOND FORM hereto.

"Certificate of Determination" means the Certificate setting forth the final terms of the 2010 Series A Bonds as more fully described in Section 2.03 hereof.

"Chairman" means the Chairman of the Governing Body of the Issuer.

"Closing Date" means the date upon which there is an exchange of the 2010 Series A Bonds for the proceeds representing the original purchase price thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

"Continuing Disclosure Agreement" means any continuing disclosure agreement between the Issuer and Digital Assurance Certification, L.L.C. or other entity serving as disclosure agent, with respect to the Bonds, as amended or supplemented that is required by, and complies with, the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission.

"Costs" or "Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Issuer and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Paying Agent, Registrar and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

"Costs of Issuance Fund" means the Costs of Issuance Fund created by Section 4.01 hereof.

"Depository Bank" means the bank appointed and approved to serve as depository bank and eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC in the Certificate of Determination.

"DTC" means the Depository Trust and Clearing Company, New York, New York, or its successor thereof.

"DTC-eligible" means, with respect to the 2010 Series A Bonds, meeting the qualification prescribed by DTC.

"Electronic Means" means telecopy, telegraph, telex, facsimile transmission, email transmission or other similar electronic means of communication, including a telephonic communication confirm by writing or written transmission.

"Escrow Agent" means the Bond Commission, hereby appointed and approved to serve as the Escrow Agent under the Escrow Agreement.

"Escrow Agreement" means the Escrow Agreement to be entered into between the Issuer and the Escrow Agent, providing for the defeasance and ultimate payment of the Bonds to be Refunded, the deposit therein of proceeds of the 2010 Series A Bonds, the disposition of moneys in the various funds and accounts of the Bonds to be Refunded under the 1998 Resolution and other matters in connection wherewith, and substantially in the form attached hereto as Exhibit C.

"Escrow Deposit Fund" means the escrow deposit trust fund established pursuant to the Escrow Agreement.

"Event of Default" means any occurrence or event specified in Section 7.01.

**"FDIC"** means the Federal Deposit Insurance Corporation or any successor to the functions of the FDIC.

**"Fiscal Year"** means each 12-month period beginning on July 1 and ending on the succeeding June 30.

**"Governing Body" or "Board"** means the public service board of the Issuer, as it may now or hereafter be constituted.

**"Government Obligations"** means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America.

**"Gross Revenues"** means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles in effect at the time of such calculation, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined), or any Tap Fees, as hereinafter defined.

**"Independent Accountants"** means any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any purpose except keeping the accounts for the System in the normal operation of its business and affairs.

**"Issuer"** means Jefferson County Public Service District, a public service district and public corporation and political subdivision of the State of West Virginia, in Jefferson County of said State, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

**"Interest Payment Date"** means the interest payment dates designated in the Certificate of Determination.

**"Maturity Date"** means the maturity date designated in the Certificate of Determination.

**"Net Proceeds"** means the face amount of the 2010 Series A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the 2010 Series A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the 2010 Series A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

**"Net Revenues"** means the balance of the Gross Revenues, remaining after deduction of Operating Expenses, as hereinafter defined.

**"Nonpurpose Investment"** means any investment property which is acquired with the gross proceeds of the 2010 Series A Bonds and is not acquired in order to carry out the governmental purpose of the 2010 Series A Bonds.

**"Notes"** means the Refunding Sewerage System Bond Anticipation Notes, Series 2010 issued in an aggregate principal amount of \$750,000 as set forth in Section 1.03(C).

**"Operating Expenses"** means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as herein defined), other than those capitalized as part of the costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles in effect as of the date of calculation; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

**"Original Purchaser"** means Crews & Associates, Inc., as the purchasers of the 2010 Series A Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the 2010 Series A Bonds with interest rates and other terms allowable under the Act, such other person or persons, firm or firms, bank or banks, corporation or corporations or such other entity or entities as shall purchase the 2010 Series A Bonds directly from the Issuer; provided, that the Original Purchaser and the Issuer shall agree to the purchase of the Bonds, including the exact principal amount thereof and interest rate or rates thereon, all as determined by the Certificate of Determination.

**"Outstanding,"** when used with reference to the 2010 Series A Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond canceled by the registrar for such Bond at or prior to said date; (b) any Bond for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Resolution and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01; and (d) with respect to determining the number or percentage of Bondholders or Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer.

**"Participant"** means one of the entities which deposit securities, directly or indirectly, in the Book-Entry System.

**"Parity Bonds"** means additional Bonds issued under the provisions and within the limitations prescribed by Section 6.07 hereof.

**"Paying Agent"** means the Bond Commission, and any successor thereto appointed in accordance with Section 8.12 hereof.

"Principal Payment Date" means, with respect to a Bond, the date on which principal of such Bond becomes due and payable, either by maturity, redemption, acceleration or otherwise.

"Prior Bonds" means, collectively, the Series 1988B Bonds, the Series 1993A Bonds, the Series 1998B Bonds, the Series 1998C Bonds, the Series 1999A Bonds, the Series 2000A Bonds and the Series 2008A Bonds of the Issuer as more fully described in preambles hereto.

"Prior Resolution" means, collectively, the resolutions of the Issuer, as supplemented, authorizing the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements" if any.

"Purchase Price," for the purpose of computation of the Yield of the 2010 Series A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the 2010 Series A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the 2010 Series A Bonds of each maturity is sold or, if the 2010 Series A Bonds are privately placed, the price paid by the first buyer of the 2010 Series A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of used of Gross Proceeds of the 2010 Series A Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the 2010 Series A Bonds.

"Qualified Investments" means investments in any of the following:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation);
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S.;
- (3) Obligations of Government – Sponsored Agencies that are not backed by the full faith and credit of the U.S. Government and which are rated "Aaa by Moody's and "AAA" by S&P or any successor thereto;
- (4) Interest bearing accounts, demand deposits, including interest bearing money market accounts, time deposits, trust deposits, overnight bank deposits or certificates of deposit which are fully secured by obligations of the type described in clause(2) or (3) above

or which are issued by banks or trust companies, including, but not limited to the Trustee and any of its affiliates, organized under the laws of the United States of America or any state thereof, which have combined capital and surplus of at least \$25,000,000;

(5) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(6) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(7) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(8) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the Maturity Date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the Maturity Date or dates specified in the irrevocable instructions referred to above, as appropriate.

(9) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P; and

(10) Investment Agreements (including repurchase agreements) provided by an institution with a rating of at least "A2/A," without regard to qualifier, numerical or otherwise, by Moody's and S&P.

"Rebate Fund" means the fund by that name established pursuant to Section 4.01 hereof.



"Record Date" means the day of the month which shall be so stated in the 2010 Series A Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Redemption Date" means the date fixed for redemption of the Bonds to be Refunded or any other Bonds of the Issuer called for redemption.

"Redemption Price" means the price at which the Bonds to be Refunded or any other Bonds of the Issuer may be called for redemption and includes the principal of and interest on such Bonds to be redeemed, plus the interest and premium, if any, required to be paid to effect such redemption.

"Registrar" means the bank appointed and approved as the Registrar for the 2010 Series A Bonds in the Certificate of Determination, and any successor thereto and appointed in accordance with Section 8.08 hereof.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund created by the 1998 Resolution and continued hereby.

"Resolution" means this Resolution and all orders and resolutions supplemental hereto or amendatory hereof.

"Revenue Fund" means the Revenue Fund created by the 1998 Resolution and continued hereby.

"Secretary" means the Secretary of the Governing Body of the Issuer.

"Securities Depository" means DTC or its nominee, and its successors and assigns, or any successor appointed under Section 3.11.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution that is amendatory and supplemental hereto.

"Surplus Revenues" means the Net Revenues not required by this Resolution to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund and any reserve accounts.

"System" means the complete properties of the Issuer for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, as presently existing in its entirety or any integral part thereof, and shall include any additions, improvements and extensions thereto hereafter constructed or acquired for the System from any sources whatsoever.

"Tap Fees" means the fees, if any, paid by prospective customers of the System in order to connect thereto.

"Tax Certificate" means the Tax Compliance Certificate of the Issuer, dated the Closing Date and included in the transcript of which this Resolution is a part.

"Term Bonds" means Bonds subject to mandatory sinking fund redemption, as described by Section 3.06 hereof.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa; and any requirement for execution or attestation of the Bond or any certificate or other document by the Chairman or the Secretary shall mean that such Bond, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

Additional terms and phrases are defined in this Resolution as they are used Accounting terms not specifically defined herein shall be given meaning in accordance with generally accepted accounting principles in effect as of the date of this Resolution.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

Section 1.02. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. The Governing Body hereby finds and determines as follows:

A. The Issuer is a public service district and public corporation and political subdivision of the State of West Virginia, in Jefferson County of said State.

B. The Issuer now owns and operates the System, the acquisition and construction of which has been financed, in part, by the proceeds of the Outstanding Bonds.

C. The Issuer currently has outstanding its (i) Sewer Revenue Bonds, Series 1988B, dated May 5, 1988, issued in the original aggregate principal amount of \$425,767 (the "Series 1988B Bonds"), (ii) Sewer Revenue Bonds, Series 1993A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of \$971,000 (the "Series 1993A Bonds"), (iii) Sewer Revenue Bonds, Series 1998B (West Virginia SRF Program), dated June 25, 1998, issued in the original aggregate principal amount of \$599,089 (the "Series 1998B Bonds"), (iv) Sewer Revenue Bonds, Series 1998C (West Virginia Infrastructure Fund), dated June 25, 1998, issued in the original aggregate principal amount of \$662,039 (the "Series 1998C Bonds"), (v) Sewer Revenue Bonds, Series 1999A (West Virginia SRF Program), dated December

8, 1999, issued in the original aggregate principal amount of \$378,363 (the "Series 1999A Bonds"), (vi) Sewer Revenue Bonds, Series 2000A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of \$1,154,889 (the "Series 2000A Bonds"), and (vii) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated June 18, 2008, issued in the original aggregate principal amount of \$2,005,000 (the "Series 2008A Bonds," and collectively with the Series 1988B Bonds, the Series 1993A Bonds, the Series 1998B Bonds, the Series 1998C Bonds, the Series 1999A Bonds, the Series 2000A Bonds and the Series 2008 A Bonds, the "Prior Bonds"). The Prior Bonds are payable from and secured by Net Revenues of the System.

The Issuer also has outstanding its Refunding Sewerage System Bond Anticipation Notes, Series 2010, dated January 6, 2010, issued in the aggregate principal amount of \$750,000. The Notes are payable only from and secured by a first lien on (i) the proceeds of revenue bonds or other obligations of the Issuer to be issued subsequent to the issuance of the Notes to permanently finance the costs of the Project; (ii) the proceeds of any grants received by the Issuer for the Project, and (iii) the Surplus Revenues, if any, of the System. The Notes are subordinate in all respects to the Prior Bonds.

D. The Issuer derives revenues from the System which are pledged for payment of the Prior Bonds and the Notes. Except for such pledge thereof, said revenues are not pledged or encumbered in any manner.

E. The Issuer intends to refund the Bonds to be Refunded in their entirety with proceeds of the 2010 Series A Bonds and other funds for the Issuer, to issue the 2010 Series A Bonds and to pledge the Net Revenues of the System for payment thereof on a parity with the Prior Bonds and senior and prior to the Notes.

F. The 2010 Series A Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for issuance of parity bonds set forth in the Prior Resolutions and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature. Prior to the issuance of the 2010 Series A Bonds, the Issuer will obtain the written consent of the Authority to the issuance of the 2010 Series A Bonds on a parity with the Authority Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the system. The Notes are secured, in part, by the Surplus Revenues, if any, of the System.

G. The estimated revenues to be derived in each year from the operation of the System after the refunding and defeasance of the Bonds to be Refunded will be sufficient to pay all Operating Expenses of the System and the principal of and interest on the Prior Bonds and the 2010 Series A Bonds and to make all other payments provided for in this Resolution.

H. Based upon the assumed principal amount, maturity schedule and interest rates for the 2010 Series A Bonds presented to the Issuer by the Original Purchaser, and after making allowance for the use of cash on hand of the Issuer, the 2010 Series A Bonds show a net present

value debt service savings to the Issuer after deducting all expenses of the refunding and the costs of issuing the 2010 Series A Bonds.

I. The Issuer shall not sell the 2010 Series A Bonds without having first obtained the prior written consent of the Authority or without approving the actual principal amount, maturity schedule and interest rates for the 2010 Series A Bonds as set forth in the Certificate of Determination, and the Issuer shall not issue the 2010 Series A Bonds without having obtained from an independent certified public accountant or firm of independent certified public accountants, a certification that the amount of savings stated to be achieved by the refunding shall in fact be saved, based upon their review, comparison and analysis of the net interest cost in dollars of the 2010 Series A Bonds and the net interest cost in dollars of the Bonds to be Refunded.

J. Subject to the determination and Certificate of Determination required by paragraph H above, it is in the best interest of the Issuer, and the residents thereof, that the Issuer issue the 2010 Series A Bonds and secure the 2010 Series A Bonds by a pledge and assignment of the Net Revenue derived from the operation of the System, the moneys in the 2010 Series A Bonds Sinking Fund and the 2010 Series A Bonds Reserve Account, unexpended proceeds of the 2010 Series A Bonds and as further set forth herein.

K. The 2010 Series A Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in Exhibit A- BOND FORM attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Resolution or as deemed necessary by the Registrar or the Issuer.

L. All things necessary to make the 2010 Series A Bonds, when authenticated by the Registrar and issued as in this Resolution provided, the valid, binding and legal special obligations of the Issuer according to the import hereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the 2010 Series A Bonds, will be timely done and duly performed.

M. The adoption of this Resolution, and the execution and issuance of the 2010 Series A Bonds, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the 2010 Series A Bonds by those who shall own or hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of such Bondholders of any and all of such 2010 Series A Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

## **ARTICLE II**

### **AUTHORIZATION OF REFUNDING, APPROVAL OF DOCUMENTS AND CERTIFICATE OF DETERMINATION AND AUTHORIZATION OF EXECUTION OF DOCUMENTS**

**Section 2.01. Authorization of Refunding.** All Bonds to be Refunded that are Outstanding as of the date of issuance of the 2010 Series A Bonds are hereby ordered to be refunded pursuant to the terms of the Escrow Agreement, and the pledge of Net Revenues in favor of the Holders of the Bonds to be Refunded imposed by the 1998 Resolution, the moneys in the funds and accounts created by the 1998 Resolution pledged to payment of the Bonds to be Refunded, and any other funds pledged by the 1998 Resolution to payment of the Bonds to be Refunded are hereby ordered terminated, discharged and released upon the payment into the Escrow Deposit Fund from the proceeds of the 2010 Series A Bonds and from other moneys available therefor, of the following: (a) if required by the Escrow Agreement, an amount equal to the fiscal and paying agent charges and the Escrow Agent charges to become due and payable in connection with the Bonds to be Refunded; and (b) an amount which will be simultaneously invested in Government Obligations bearing interest and having maturities sufficient, together with certain cash which may also be deposited, to provide for the payment of the principal of an interest on the Bonds to be Refunded as the same become due, plus the premium, if any, to the first permitted Redemption Date thereof, and on the Redemption Date thereof, and on the Redemption Date to pay the Redemption Price of the Bonds to be Refunded, all set forth in the Escrow Agreement. Contemporaneously with the deposit of the proceeds of the 2010 Series A Bonds and other moneys into the Escrow Deposit Fund, the amounts on deposit in the sinking fund, including the reserve account therein, created and maintained on behalf of the Bonds to be Refunded shall be released from the lien created by the 1998 Resolution and deposited in the Escrow Deposit Fund, the 2010 Series A Bonds Reserve Account or such other fund or account as shall be set forth in the Escrow Agreement and invested as provided therein.

#### **Section 2.02. Details of the 2010 Series A Bonds.**

(a) The 2010 Series A Bonds shall contain a recital that they are issued pursuant to the Act.

(b) The 2010 Series A Bonds shall have the following terms within the following limits, as established in the Certificate of Determination:

(1) The 2010 Series A Bonds will be issued in such series and in such original principal amounts (the "**Original Principal Amounts**") as determined in the Certificate of Determination.

(2) The 2010 Series A Bonds will be dated as determined in the Certificate of Determination. The date of the 2010 Series A Bonds will not be later than April 1, 2011.

(3) The 2010 Series A Bonds will mature over a period of years as determined in the Certificate of Determination, in serial maturities or term maturities. The final maturity date will be not later than October 1, 2028. Term maturities may be subject to mandatory sinking fund redemption as provided in the Certificate of Determination. The maturity schedule in the Certificate of Determination will be based on the recommendation of the Underwriter and the approval of the District through the Certificate of Determination. The first principal payment of the 2010 Series A Bonds, either by serial maturity or mandatory sinking fund redemption will not be later than the date set forth in the Certificate of Determination.

(4) The 2010 Series A Bonds will be fixed rate bonds and the interest rates shall be set forth in the Certificate of Determination.

(5) The interest on the 2010 Series A Bonds will be payable on the Interest Payment Date.

(6) The 2010 Series A Bonds shall be subject to redemption in the manner and under the circumstances set forth in the Certificate of Determination.

Section 2.03. Certificate of Determination for the Issuance of the 2010 Series A Bonds. The Chairman, Secretary and Treasurer of the Board shall each have the power and authority to execute and deliver the Certificate of Determination, in accordance with Section 2.02, which may include, without limitation, provisions (i) fixing the series and Original Principal Amount of the 2010 Series A Bonds to be issued at an aggregate amount not to exceed \$1,975,000, (ii) fixing the maturity or maturities of the 2010 Series A Bonds, including the amounts of serial bonds and term bonds, provided that no such maturity shall be later than October 1, 2028, (iii) fixing the interest rates for the 2010 Series A Bonds, which interest rates shall not in the aggregate exceed seven and ½ percent (7.5%) per annum, (iv) fixing the amounts, times, terms and conditions of mandatory or optional redemption of the 2010 Series A Bonds, (v) fixing the purchase price for the 2010 Series A Bonds, which may include an underwriting discount and an original issue discount or premium, (vi) fixing the date or dates of the 2010 Series A Bonds, (vii) fixing the interest payment dates and the principal payment date, and (viii) designating the Depository Bank, the Registrar and providers of other services which may be deemed by such officer executing the Certificate of Determination as necessary or desirable to support the 2010 Series A Bonds, to the extent applicable.

Section 2.04. Approval of Other Documents. The forms, terms and provisions of the Certificate of Determination, Escrow Agreement, Purchase Contract, and Continuing Disclosure Agreement (collectively, the "Closing Documents"), substantially in the forms attached hereto as Exhibit B, Exhibit C, Exhibit D and Exhibit E presented at this meeting, providing for the issuance of the Bonds for the purposes set forth herein are in all respects approved, the execution of the Closing Documents by the Chairman, Secretary or Treasurer of the Board to be conclusive evidence of such approval.

The Chairman, Secretary and Treasurer of the Board are each authorized and empowered for and on behalf of the Issuer to execute, acknowledge and deliver each of the Closing Documents, in substantially the form presented at this meeting, with such changes therein as such Chairman, Secretary and Treasurer executing the same may deem necessary or desirable, such officer's

execution of each of the Closing Documents to be conclusive evidence of such officer's approval of such changes. In addition, the Chairman, Secretary and Treasurer of the Board upon consultation with counsel to the Issuer, are each authorized and empowered for and on behalf of the Issuer to execute, acknowledge and deliver such other agreements, documents, certificates or instruments, required to consummate the transactions contemplated by the Closing Documents (the "**Other Transaction Documents**") upon such terms and conditions as such officer shall deem acceptable to the Issuer; and such officer's execution of each of the Other Transaction Documents shall be conclusive evidence of such officer's approval of the terms and conditions thereof. The Secretary is hereby further authorized and empowered to affix the seal of the Issuer and to attest to the same for and on behalf of the Issuer in connection with the execution of any of the Closing Documents or Other Transaction Documents.

The Chairman, Secretary and Treasurer of the Board are each hereby authorized to take any action, execute any document, or give any consent which may from time to time be required by the Issuer under any of the aforesaid documents or this Resolution. Any such action taken or document executed or consent given by such officer in his or her capacity as an officer of the Board shall be deemed to be an act by the Issuer and any such action, execution or consent shall be conclusive evidence that the same is authorized by this Resolution.

As specifically provided in the Act, no recourse shall be had by any person for any claims based on any of the aforesaid documents or any instruments or documents related thereto against any official, member, director, officer or employee of the Issuer alleging personal liability on the part of such person.

Section 2.05. Disclosure Documents. The counsel for the Underwriter shall prepare a disclosure document in the form of a preliminary official statement (the "**Preliminary Official Statement**"), substantially in the form attached hereto as Exhibit F presented at this meeting. The Board authorizes and directs the Chairman of the Board, after consultation with the Issuer's legal counsel, to approve the form and substance of the Preliminary Official Statement. The Board authorizes the Underwriter to use and distribute, or authorize the use and distribution of, that Preliminary Official Statement. The Board authorizes the Chairman, Secretary and Treasurer to prepare or cause to be prepared, and to make or authorize modifications, completions or changes of or supplements to, a final official statement for the Bonds (the "**Final Official Statement**" and, together with the Preliminary Official Statement, the "**Official Statement**") and to use and distribute, or authorize the use and distribution of, the Official Statement and any supplements in connection with the issuance of the Bonds. The Board further authorizes and directs the Chairman, Secretary or Treasurer of the Board to determine, and to certify or otherwise represent, when the Preliminary Official Statement is to be "deemed final" (except for permitted omissions) and when the Final Official Statement is a "final official statement" for purposes of Securities and Exchange Commission Rule 15c2-12 (the "SEC Rule") and to sign the Final Official Statement on behalf of the Issuer, together with certificates, statements or other documents, in connection with the finality, accuracy and completeness of the Official Statement. The signing of the Final Official Statement by the Chairman, Secretary or Treasurer will constitute conclusive evidence of the approval of those changes to the Final Official Statement.

## **ARTICLE III**

### **THE BONDS**

**Section 3.01. Form and Payment of Bonds.** No Bond shall be issued pursuant to this Resolution except as provided in this Article III. Any Bonds issued pursuant to this Resolution after the issuance of the 2010 Series A Bonds, as hereinafter provided, may be issued only as fully registered Bonds without coupons, in the denomination of \$5,000 or any integral multiple thereof for any year of maturity. Bonds shall bear interest from the Interest Payment Date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable Interest Payment Date or on such Interest Payment Date, from such Interest Payment Date or, if no interest on such Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Bonds surrendered.

The principal of and the premium, if any, on the 2010 Series A Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of \$500,000 or more of the Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such Interest Payment Date by such Registered Owner.

In the event any Bond is redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Bond in the principal amount of said Bond then Outstanding.

**Section 3.02. Execution of Bonds.** The 2010 Series A Bonds shall be executed in the name of the Issuer by the Chairman, by his or her manual or facsimile signature, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

**Section 3.03. Authentication and Registration.** No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Exhibit A - BOND FORM attached hereto and incorporated herein by reference with respect to the



2010 Series A Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the 2010 Series A Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform commercial code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the 2010 Series A Bonds remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Bonds. Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Bond, there shall be issued at the option of the Holder or transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a 2010 Series A Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Bonds, the Registrar may impose a service charge. For every such transfer or exchange of bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any 2010 Series A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange an upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, an upon the Holder's furnishing the Issuer and Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellations shall be given to the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by any one, and such duplicated Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the Revenues pledged herein with all other Bonds issued hereunder.

Section 3.06. Term Bonds. In the event Term Bonds are issued pursuant to this Resolution, the following provisions shall apply:

A. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the 2010 Series A Bonds Redemption Account in accordance with Subsection 4.03A(2) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month with is 12 months prior to the first mandatory Redemption Date of said Term Bonds, a sum equal to  $1/12^{\text{th}}$  of the amount required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in Certificate of Determination relating thereto.

B. At its option, to be exercised on or before the 60<sup>th</sup> day next preceding any such mandatory Redemption Date, the Issuer may (a) deliver to the Registrar for cancellation such Term Bonds in any aggregate principal amount desired or (b) receive a credit in respect of its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than pursuant to this section) and canceled by the Registrar and not theretofore applied as a credit against any such mandatory redemption obligation. Each Term Bond so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and Term Bonds delivered in excess of such mandatory redemption obligation shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

C. The Issuer shall on or before the 60<sup>th</sup> day next preceding each mandatory Redemption Date furnish the Registrar and the Bond Commission with its certificate indicating whether and to what extent the provisions of (a) and (b) of the preceding paragraph are to be utilized with respect to such mandatory redemption payment and stating, in the case of the credit provided for in (b) of the preceding paragraph, that such credit has not theretofore been applied against any mandatory redemption obligation.

D. After said 60<sup>th</sup> day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the moneys in the 2010 Series A Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

E. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the 2010 Series A Bonds Sinking Fund), as will exhaust as nearly as practicable such 2010 Series A Bonds Redemption Account payment designated to be made in accordance with paragraph (A) of this section. Such redemption shall be by random selection made on the 45<sup>th</sup> day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of \$5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the 2010 Series A Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Original Purchaser and the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So Long as DTC (as CEDE & CO.) is the registered Owner of the 2010 Series A Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice. Copies of all redemption notices relating to optional redemption of the 2010 Series A Bonds shall also be sent to registered securities depositories and to *Standard & Poor's Called Bond Record*.

All official notices of redemption shall be dated and shall state:

- (1) The Redemption Date,
- (2) The Redemption Price,

(3) If less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amount) of the Bonds to be redeemed,

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar, and

(6) Such other information, if any as shall be required for DTC-Eligible Bonds.

If funds sufficient to redeem all Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject to the deposit of such money with the Paying Agent on or before the Redemption Date. If such moneys are not so deposited, the Registrar shall notify all holders of Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal of such Bond. All Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Bonds, and the failure to mail or otherwise send such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

Section 3.08. Persons Treated as Owners. The Issuer, the Registrar and any agent of the Issuer or the Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of, and interest on, such Bond and for all other purposes, whether or not such Bond is overdue.

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary

form shall be entitled to the lien and benefit created under this Resolution. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, registers, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

**Section 3.10. Authorization of Bonds.** For the purposes of paying a portion of the costs of refunding all of the Bonds to be Refunded of the Issuer, funding the 2010 Series A Bonds Reserve Account and paying costs in connection therewith, there shall be issued the 2010 Series A Bonds of the Issuer, in an aggregate principal amount of not more than \$1,975,000. The 2010 Series A Bonds shall be designated "Sewer Refunding Revenue Bonds, 2010 Series A" and shall be issued in fully registered form, in Authorized Denominations for any year of maturity, not exceeding the aggregate principal amount of 2010 Series A Bonds maturing in the year of maturity for which the denomination is to be specified. The 2010 Series A Bonds shall be numbered from AR-1 consecutively upward. The 2010 Series A Bonds shall be dated; shall be in such aggregate principal amount; shall bear interest at such rate or rates, not exceeding the then legally permissible rate, payable semiannually on such dates; shall mature on such dates and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein.

**Section 3.11. Book Entry System for Bonds.**

The Bonds shall be initially issued in the name of Cede & Co., as nominee for DTC as the initial Securities Depository and registered owner of such Bonds, and held in the custody of the Securities Depository. A single certificate will be issued and delivered to the Securities Depository, or a custodian thereof, for the Bonds. The Beneficial Owners will not receive physical delivery of Bond certificates except as provided herein. For so long as the Securities Depository shall continue to serve as securities depository for such Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only on the records of the Securities Depository, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of such Bonds is to receive, hold or deliver any Bond certificate. The Issuer and Paying Agent will recognize the Securities Depository or its nominee as the Bondholder of such Bonds for all purposes, including payment, notices and voting.

The Issuer and the Paying Agent covenant and agree, so long as DTC shall continue to serve as Securities Depository for the Bonds, to meet the requirements of DTC with respect to required notices and other provisions of any letter of representations executed with respect to, or any blanket letter of representations applicable to, the Bonds.

The Issuer and the Paying Agent may conclusively rely upon (i) a certificate of the Securities Depository as to the identity of the Participants in the Book-Entry-System and (ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined by a book-entry at the Securities Depository, the requirements in this Resolution of holding,

delivering or transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or registering the transfer of the book-entry to produce the same effect. Any provision hereof permitting or requiring delivery of Bonds shall, while the Bonds are in a Book-Entry System, be satisfied by the notation on the books of the Securities Depository in accordance with applicable law.

The Paying Agent and the Issuer may from time to time appoint a successor Securities Depository and enter into an agreement with such successor Securities Depository to establish procedures with respect to the Bonds consistent with current industry practice. Any successor Securities Depository shall be a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended.

The Issuer nor the Paying Agent will have any responsibility or obligation to any Securities Depository, any Participants in the Book-Entry System or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the Securities Depository or any Participant; (ii) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or Purchase Price of, or interest on, any Bonds; (iii) the delivery of any notice by the Securities Depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (v) any other action taken by the Securities Depository or any Participant.

Bond certificates are required to be delivered to and registered in the name of the Beneficial Owner if the Securities Depository determines to discontinue providing its service with respect to the Bonds and no successor Securities Depository is appointed as described above. Such a determination may be made at any time by giving 30 days' notice to the Issuer, and the Paying Agent and discharging its responsibilities with respect thereto under applicable law.

The Paying Agent is hereby authorized to make such changes to the form of the Bond attached hereto as Exhibit A which are necessary or appropriate to reflect whether the Book-Entry System is not in effect, that a successor Securities Depository has been appointed.

If at any time, the Securities Depository ceases to hold the Bonds, all references herein to the Securities Depository shall be of no further force or effect.

**Section 3.12. Delivery of Bonds.** The Issuer shall execute and deliver the 2010 Series A Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the 2010 Series A Bonds to the Original Purchaser upon receipt of the documents set forth below:

(A) A list of the names in which the 2010 Series A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(B) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the 2010 Series A Bonds to the Original Purchaser;

- (C) Copy of this Resolution certified by the Secretary;
- (D) Copy of the Certificate of Determination;
- (E) The unqualified approving opinion upon the 2010 Series A Bonds by Bond Counsel;  
and
- (F) A copy of the Escrow Agreement and such other documents, certifications and verifications as the Original Purchaser may reasonably require.

Section 3.13. Form of Bonds. The definitive 2010 Series A Bonds shall be in substantially the form set forth in Exhibit A – BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variation as are approved by those officers executing such 2010 Series A Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval.

Section 3.14. Disposition of Proceeds of Bonds. Upon the issuance and delivery of the 2010 Series A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follow:

A. All interest accrued on the 2010 Series A Bonds from the date thereof to the date of delivery thereof shall be deposited in the 2010 Series A Bonds Sinking Fund and applied to payment of interest on the 2010 Series A Bonds on the first Interest Payment Date.

B. An amount of the proceeds of the 2010 Series A Bonds which together with other moneys or securities deposited therein and the earnings thereon, shall be sufficient to accomplish the refunding and defeasance of the Bonds to be Refunded (which amount shall be set forth in the Escrow Agreement) shall be deposited in the Escrow Deposit Fund.

C. An amount of the proceeds of the 2010 Series A Bonds equal to the 2010 Series A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the 2010 Series A Bonds Reserve Account; provided that, to the extent the 2010 Series A Bonds Reserve Requirement is satisfied in whole or in part from proceeds of any fund or account established for the Bonds to be Refunded pursuant to the 1998 Resolution, proceeds of the 2010 Series A Bonds shall be deposited in the 2010 Series A Bonds Reserve Account only to the extent needed to satisfy the balance of the 2010 Series A Bonds Reserve Requirement.

D. An amount of the proceeds of the 2010 Series A Bonds which shall be sufficient to pay all costs of issuance shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the 2010 Series A Bonds and miscellaneous costs of refunding the Bonds to be Refunded at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys not to be applied immediately to pay such costs of issuance and refunding may be invested in accordance with this Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the 2010 Series A Bonds Redemption Account. All such

proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such money until so applied in favor of the Holders of the 2010 Series A Bonds.

E. The balance of any proceeds of the 2010 Series A Bonds and any moneys in any fund or account established for the Bonds to be Refunded pursuant to the 1998 Resolution, not used for any of the purposes set forth above, shall be deposited in the 2010 Series A Bonds Redemption Fund and applied to redeem the 2010 Series A Bonds on the first redemption date. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such moneys until so applied in favor of the Holders of the 2010 Series A Bonds.

Section 3.15. Designation of Bonds as "Qualified Tax-Exempt Obligations". The Issuer hereby designates the 2010 Series A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and covenants that the 2010 Series A Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and that not more than \$30,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations issued to currently refund any obligations of the Issuer to the extent the amount of the refunding obligation does not exceed the amount of the refunded obligation and private activity bonds, as defined in Section 141 of the Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Code), including the 2010 Series A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2010.



## ARTICLE IV

### FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds or accounts are hereby created with (or continued if previously established), and shall be held by, the Depository Bank, segregated and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

- (1) Revenue Fund (established by the resolution authorizing the Series 1988B Bonds);
- (2) Renewal and Replacement Fund (established by the resolution authorizing the Series 1988B Bonds);
- (3) Costs of Issuance Fund, and
- (4) Rebate Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. Pursuant to this Article IV, the following special funds or accounts are hereby created for the 2010 Series A Bonds (or continued if previously established), and shall be held by, the Bond Commission, separate and apart from all other funds or accounts of the Bond Commission and the Issuer and from each other:

- (1) 2010 Series A Bonds Sinking Fund;
- (2) Within the 2010 Series A Bonds Sinking Fund, the 2010 Series A Bonds Reserve Account; and
- (3) Within the 2010 Series A Bonds Sinking Fund, the 2010 Series A Bonds Redemption Account.

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

- (1) The Issuer shall first each month pay from the Revenue Fund the Operating Expenses of the System.
- (2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) the amounts required by the Prior Resolutions to pay the interest, if any, on and the principal of the Prior Bonds; (ii) commencing 6 month prior to the first Interest Payment Date on the 2010 Series A Bonds, for deposit in the 2010 Series A Bonds

Sinking Fund, a sum equal to  $1/6^{\text{th}}$  of the amount of interest which will become due on the 2010 Series A Bonds on the next ensuing semiannual Interest Payment Date; provided that, in the event the period to elapse between the date of such initial deposit in the 2010 Series A Bonds Sinking Fund and the next ensuing semiannual Interest Payment Date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual Interest Payment Date, the required amount of interest coming due on such date; and provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the 2010 Series A Bonds Sinking Fund shall be reduced by the amount of accrued interest, if any, on the 2010 Series A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the 2010 Series A Bonds Sinking Fund shall be reduced by the amount of any earning credited to the 2010 Series A Bonds Sinking Fund; and (iv) commencing 12 months prior to the first Principal Payment Date or mandatory Redemption Date of the 2010 Series A Bonds for deposit in the 2010 Series A Bonds Sinking Fund, and in the 2010 Series A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed, a sum equal to  $1/12^{\text{th}}$  of the amount of principal which will mature or be redeemed and become due on the 2010 Series A Bonds on the next ensuing Principal Payment Date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the 2010 Series A Bonds Sinking Fund and the next ensuing annual Principal Payment Date or mandatory Redemption Date is less than or greater than 12 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing annual Principal Payment Date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earning credited to the 2010 Series A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the respective Reserve Accounts for the Prior Bonds, the amounts required by the Prior Resolutions; and (iii) for deposit in the 2010 Series A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the 2010 Series A Bonds Reserve Account below the 2010 Series A Bonds Reserve Requirement or any withdrawal from the 2010 Series A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the 2010 Series A Bonds Reserve Account results in a determination that the amount of moneys and the value of the Qualified Investments deposited to the credit of the 2010 Series A Bonds Reserve Requirement is less than the 2010 Series A Bonds Reserve Requirement, or (b) any amount is withdrawn from the 2010 Series A Bonds Reserve Account for deposit into the 2010 Series A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefore, the amount so deposited shall be used to restore the amount on deposit in the 2010 Series A Bonds Reserve Account to an amount equal to the 2010 Series A

Bonds Reserve Requirement to the full extent that such Net Revenues are available; provided, that no payments shall be required to be made into the 2010 Series A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the 2010 Series A Bonds Reserve Requirement.

(4) The Issuer shall next from the moneys remaining in the Revenue Fund (as previously set forth in the 1998 Resolution and not in addition thereto), on the first day of each month, transfer to the Renewal and Replacement Fund, a sum equal to 2 ½% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in Qualified Investments. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required) shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the 2010 Series A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the 2010 Series A Bonds as the same shall become due, whether by maturity or redemption prior to maturity. Amounts in the 2010 Series A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the 2010 Series A Bonds when due, when amounts in the 2010 Series A Bonds Sinking Fund are insufficient therefor and for no other purpose.

The Issuer shall not be required to make any further payments into the 2010 Series A Bonds Sinking Fund or the 2010 Series A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of 2010 Series A Bonds issued pursuant to this Resolution then Outstanding, plus the amount of interest due or thereafter to become due on the 2010 Series A Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the 2010 Series A Bonds are issued, provision shall be made for additional payments into the respective sinking fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at or before maturity and to accumulate a balance in the respective reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of such additional parity Bonds.

The payments into the 2010 Series A Bonds Sinking Fund shall be made on the first day of each month, except that, when the first day of any month shall be a Saturday, Sunday or legal holiday, then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Bond Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution.

The Issuer shall restore any withdrawals from the 2010 Series A Bonds Reserve Account which have the effect of reducing the assets therein below the 2010 Series A Bonds Reserve Requirement from the Net Revenues available after all required payment have been made in full in the order set forth above.

Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds and the 2010 Series A Bonds, in accordance with the respective principal amounts then Outstanding.

The Bond Commission is hereby designated as the fiscal agent for the administration of the 2010 Series A Bonds Sinking Fund and the 2010 Series A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

C. The Issuer shall remit from the Revenue Fund to the Bond Commission the Registrar, the Paying Agent or the Depository Bank, on such dates as the Bond Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay any charges and fees then due.

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund and the Renewal and Replacement Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

E. If on any monthly payment date the Net Revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 4.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

F. All remittances made by the Issuer to the Bond Commission shall clearly identify the fund or account into which each amount is to be deposited.

G. The Gross Revenues of the System shall only be used for purposes of the System.

## ARTICLE V

### INVESTMENTS; NON-ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS

**Section 5.01. Investments.** The Issuer shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any moneys held as a part of the funds and accounts created by this Resolution in Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The Issuer shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Issuer may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under this section:

(A) Qualified Investments acquired for the 2010 Series A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to semiannually transfer from the 2010 Series A Bonds Reserve Account to the 2010 Series A Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the requirement therefore; provided, however, that there shall at all times remain on deposit in the Series A Bonds Reserve Account an amount at least equal to the Series A Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the 2010 Series A Bonds Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the 2010 Series A Bonds Reserve Account shall, at any time, be less than the applicable requirement therefore and such deficiency shall be made up from the first available Net Revenues in the order set forth in Section 4.03 hereof.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the 2010 Series A Bonds and invested

only in Government Obligations maturing at such times and in such amounts as are necessary to match the interested payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the 2010 Series A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia State Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended.

Section 5.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the 2010 Series A Bonds in such manner and to such extent as may be necessary, so that the 2010 Series A Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the 2010 Series A Bonds) so that the interest on the 2010 Series A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.03. Tax Certificate and Rebate. A. The Issuer shall deliver a certificate of arbitrage, a Tax Certificate or other similar relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the 2010 Series A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the 2010 Series A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

B. The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with section 148(f) of the code. Upon completion of each such annual calculation, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be from time to time in effect, with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by The Issuer to the United States, on a timely basis, from any funds lawfully available therefore. The Issuer at its expense, may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the

Issuer may deem appropriate in order to assure compliance with this Section 5.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and the required amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the 2010 Series A Bonds from gross income for federal income tax purposes.

## ARTICLE VI

### ADDITIONAL REPRESENTATIONS AND COVENANTS OF THE ISSUER

**Section 6.01. Covenants Binding and Irrevocable.** All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the 2010 Series A Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Holders of the 2010 Series A Bonds, as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the 2010 Series A Bonds, or the interest thereon, are Outstanding and unpaid.

**Section 6.02. Bonds not to be Indebtedness of the Issuer.** The 2010 Series A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Net Revenues of the System, the moneys in the 2010 Series A Bonds Sinking Fund and the 2010 Series A Bonds Reserve Account therein, and the unexpended proceeds of the 2010 Series A Bonds, all as herein provided. No Holder or Holders of the 2010 Series A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the 2010 Series A Bonds or the interest thereon.

**Section 6.03. Rates.** Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the 2010 Series A Bonds and all other obligations secured by a lien on or payable from such revenues prior to on a parity with the 2010 Series A Bonds including the Prior Bonds.

**Section 6.04. Operation and Maintenance.** The Issuer will operate and maintain the system as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

**Section 6.05. Sale of System.** So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the system, or any part thereof, except as provided in the Prior Resolutions authorizing the Prior Bonds. Additionally, so long as the 2010 Series A



Bonds are outstanding and except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Resolution in accordance with Article IX hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the 2010 Series A bonds, immediately be remitted to the Bond Commission for deposit in the 2010 Series A Bonds Sinking Fund, and the Issuer shall direct the Bond Commission to apply such proceeds to the payment of principal of and interest on the 2010 Series A Bonds. Any balance remaining after the payment of the 2010 Series A Bonds and interest thereon shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefore, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000 the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof any may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of \$10,000 and not in excess of \$50,000, shall with the written consent of the Authority, be remitted by the Issuer to the Bond Commission for deposit in the Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as otherwise provided in Section 6.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank

prior to, or equally, as to lien on and source of and security for payment from such revenues with the 2010 Series A Bonds. All obligations issued by the Issuer after the issuance of the 2010 Series A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the 2010 Series A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the 2010 Series A Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the 2010 Series A Bonds and the interest thereon, if any, in this Resolution, or upon the System or any part thereof.

Section 6.07. Additional Parity Bonds and Subordinate Debt. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions authorizing the Prior Bonds shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the 2010 Series A Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided (unless less restrictive than the provisions of the resolutions authorizing the Prior Bonds).

All Parity Bonds issued hereunder shall be on a parity in all respects with the 2010 Series A Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions and improvements to the System or refunding any series of Bonds, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

- (1) The Bonds then Outstanding;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates adopted by the Issuer and approved by the Public Service Commission of West Virginia, the period for appeal of which has expired prior to the date of issuance of such additional parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate construction or acquisition of such extensions or improvements, if any, to the System that are to be financed by such Parity Bonds.

All covenants and other provisions of this Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Resolution required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the 2010 Series A Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the 2010 Series A Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Resolution with respect to the Bonds then Outstanding, and any other payments provided for in this Resolution, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Resolution.

Any certifications requiring computations establishing that debt service coverage is sufficient to support the issuance of parity Additional Bonds or that requisite debt service savings are available shall be made by an independent certified public accountant or firm of independent certified public accountants.

No additional bonds, notes, certificates, contracts or any other obligations shall be issued by the Issuer unless no Event of Default shall have occurred and be continuing with respect to the Bonds.

Any debt of the Issuer which is subordinate to the lien of the Bondholders on the Net Revenues, shall provide that such debt may not be accelerated, except in instances when no indebtedness of the Issuer under this Resolution (herein called "Superior Indebtedness") is outstanding. The indebtedness evidenced by the subordinated debt and any renewals or extensions thereof, shall at all times be wholly subordinate and junior in right of payments to any Superior Indebtedness, in the manner and with the force and effect hereafter set forth:

(1) In the event of any liquidation, dissolution or winding up of the Issuer, or of any execution, sale, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization, or other similar proceeding relative to the Issuer or its property, all principal and interest owing on all Superior Indebtedness shall first be paid in full before any payment is made upon the indebtedness evidenced by the subordinated debt, provided, however, that, except for the Net Revenues, this sentence shall not apply to payments made on such subordinated indebtedness from the proceeds of collateral specifically securing such subordinated debt, and in any such event and any payment or distribution of any kind or character from sources other than the proceeds of collateral specifically securing the subordinated debt, except for the Net Revenues, whether in cash, property or securities (other than in securities, including equity securities, or other evidences of indebtedness, the payment of which is subordinated to the payment of all Superior Indebtedness which may at the time be outstanding) which shall be made upon or in respect of the subordinated debt shall be paid over to the holders of such Superior Indebtedness, pro rata, for application in payment thereof unless and until such Superior Indebtedness shall have been paid or satisfied in full.

(2) In the event that the subordinated debt is declared or become due and payable because of the occurrence of any event of default or otherwise that at the option of the Issuer, under circumstances when the foregoing clause (1) shall not be applicable, the holders of the subordinated debt shall be entitled to payments only after there shall first have been paid in full all Superior Indebtedness outstanding at the time the subordinated debt so become due and payable because of any such event, or payment shall have been provided for in a manner satisfactory to the holders of such Superior Indebtedness, provided, however that, except for the Net Revenues, this sentence shall not apply to payments made on such subordinated indebtedness from the proceeds of collateral specifically and solely securing such subordinated debt.

Section 6.09. Insurance and Bonds. So long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance, bonds and worker's compensation coverage with a reputable insurance carrier or carriers or bonding company or companies covering the following risks and in the following amounts.

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the

repairs and restoration of the damaged and destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the Issuer from claims for body injury and/or death and not less than \$500,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

C. WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Issuer and such payment bonds will be filed with the Clerk of the County Commission of the County in which such work is to be performed prior to commencement of construction of any additions, extensions or improvements for the System in compliance with West Virginia Code Section 38-2-39.

D. FLOOD INSURANCE, if the facilities of the System are or will be located in designated special flood or mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

E. BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

F. FIDELITY BONDS will be provided as to every officer, member and employee of the Issuer or the Governing Body having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

Section 6.10. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and, in the event the Issuer or any department, agency, instrumentality, officer or employee thereof shall avail himself or themselves of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.11. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid and to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, all delinquent rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System and any services and facilities of the waterworks system, if so owned by the Issuer, to all delinquent users of services and facilities of the System and will not restore such services of the System (or waterworks system) until all billing for charges for the services and facilities of the System, plus reasonable interest penalty charges for the restoration of service, has been fully paid. If the waterworks system is not owned by the Issuer, the Issuer shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

**Section 6.12. No Competing Franchise.** To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or any body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

**Section 6.13. Books and Records.** The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles, to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books and along with other bookkeeping records as prescribed by the Issuer. The Issuer shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Issuer shall be reported to such agent of the Issuer as it shall direct.

The Issuer shall file with the Original Purchaser, and shall mail to any Bondholder requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The Issuer shall also file with the Original Purchaser, and mail to any Bondholder requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, and Net Revenues derived from the System.

(B) A statement of account balances in all funds and accounts provided for herein and status of said funds.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Accountants in compliance with OMB Circular 128 or any successor thereto and the Single Audit Act, shall mail upon request, and make available generally, the report of said Independent Accountants, or a summary thereof, to any Holder or Holders of Bonds issued pursuant to this Resolution and shall file said report with the Original Purchaser.

**Section 6.14. Operating Budget.** The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date, prepare and adopt by resolution a detailed budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of such a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

**Section 6.15. Mandatory Connections.** The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Division of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Division of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

**Section 6.16. Statutory Mortgage Lien.** For the further protection of the Holders of the 2010 Series A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the 2010 Series A Bonds, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

**Section 6.17. Continuing Disclosure Agreement.** The Issuer shall deliver a continuing disclosure agreement or certificate in form acceptable to the Original Purchaser. The Issuer has covenanted to comply with and carry out all of the provisions of the Continuing Disclosure Agreement with respect to the Bonds that complies with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission (as amended from time to time, the "Rule"), in form and substance satisfactory to the Participating Underwriter (as defined in the Rule). Notwithstanding any other provision of this Resolution, failure of the Issuer to enter into and comply with such Continuing Disclosure Agreement shall not be considered an Event of Default.



## ARTICLE VII

### DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the 2010 Series A Bonds.

(A) If default occurs in the due and punctual payment of the principal of or interest on the 2010 Series A Bonds;

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Resolution or the Certificate of Determination or in the 2010 Series A Bonds contained, and such default shall have continued for a period of 30 days after written notice mailed or by Electronic Means (other than a telephonic communication), specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder;

(C) If the Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America; or

(D) If default occurs with respect to the Prior Bonds or the Prior Resolutions authorizing the Prior Bonds.

The Issuer must cure any covenant default within 30 days after notice of the default, and failure (i) to pay principal of or interest on the Bonds, or (ii) to comply with the Subordinate Debt provisions shall be an immediate event of default.

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular:

(A) Bring suit for any unpaid principal or interest then due;

(B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the Issuer to perform its duties under the Act and this Resolution;

(C) Bring suit upon the Bonds;

(D) By action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; and

(E) By action or bill in equity enjoin any acts in violation of this Resolution or the rights of the Bondholders.

No remedy by the terms of this Resolution conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative

and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute. All rights and remedies of the Holders of the 2010 Series A Bonds shall be on a parity with those of the Holders of the Prior Bonds and senior and prior to the rights and remedies in favor of the Holders of the Notes.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by the Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03. Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of this Resolution and the Act.

The receiver so appointed shall forthwith, directly or by his agents and attorneys, enter into and upon and take possession of all facilities of the System and shall hold, operate, maintain, and manage and control such facilities, and each and every part thereof, and in the name of the Issuer exercise all the rights and powers of the Issuer with respect to said facilities as the Issuer itself might do.

Whenever all that is due upon the Bonds issued pursuant to this Resolution and interest thereon and under any covenants of this Resolution for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Resolution shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Holders of the Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Bondholders, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Section 7.04. Restoration of Issuer and Bondholder. In case any Bondholder shall have proceeded to enforce any right under this Resolution by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Bondholder shall be restored to their former positions and rights hereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

## **ARTICLE VIII**

### **REGISTRAR AND PAYING AGENT**

**Section 8.01. Agreement with Registrar.** The Issuer is hereby authorized and directed to enter into an agreement with the Registrar. The substantial form of which agreement shall be approved by the Certificate of Determination.

**Section 8.02. Responsibilities of Registrar.** The recitals of fact in the 2010 Series A Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any 2010 Series A Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the 2010 Series A Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Resolution and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

**Section 8.03. Evidence on Which Registrar May Act.** Except as otherwise provided by Section 10.02, the Registrar shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever the Registrar shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Issuer, but in its discretion the Registrar may instead accept other evidence of such fact or matter.

**Section 8.04. Compensation and Expenses.** The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Bonds, the first exchange of Bonds and the exchange of Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

**Section 8.05. Certain Permitted Acts.** The Registrar may become the owner of or may deal in 2010 Series A Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the 2010 Series A Bonds or this Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the 2010 Series A Bonds Outstanding.

**Section 8.06. Resignation of Registrar.** The Registrar may at any time resign and be discharged of its duties and obligations under this Resolution by giving not less than 60 days' written notice by mail or Electronic Means (other than telephonic communication) to the Issuer and publishing in an Authorized Newspaper notice (or mailing such notice to each Bondholder in the event all 2010 Series A Bonds are fully registered), specifying the date when such resignation shall

take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed or sent by Electronic Means to each owner of a fully registered Bond. Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which even such resignation shall take effect immediately.

**Section 8.07. Removal.** The Registrar may be removed at any time by the Issuer or by the Holders of the Bonds of a majority in principal amount of the 2010 Series A Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar.

**Section 8.08. Appointment of Successor.** In case at any time the Registrar shall resign or shall be removed or shall become incapable or acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the 2010 Series A Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall publish in an Authorized Newspaper (or mail to each Bondholder in the event all 2010 Series A Bonds are fully registered) notice of any such appointment within 20 days after the effective date of such appointment. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provision of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Resolution.

**Section 8.09. Transfer of Rights and Property to Successor.** Any predecessor Registrar or Paying Agent shall pay over, assign and deliver any moneys, books and records held by it to its successor.

**Section 8.10. Merger or Consolidation.** Any company into which the Registrar may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Registrar or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Registrar without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 8.08.

Section 8.11. Adoption of Authentication. In case any of the 2010 Series A Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and in case any 2010 Series A bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

Section 8.12. Paying Agent. The Issuer is hereby authorized and directed to enter into an agreement with the Paying Agent, the substantial form of which agreement is to be approved by the Certificate of Determination of the Issuer. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Resolution. Such alternated Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Bonds shall be and remain DTC-eligible.

Each Paying Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by such Paying Agent in connection with such services solely from moneys available therefor.

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Resolution. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

The Paying Agent shall enjoy the same protective provisions in the performance of its duties hereunder as are specified in this Article VIII with respect to the Registrar, insofar as such provisions may be applicable.

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 8.08 hereof with respect to the appointment of a successor Registrar.

All moneys received by the Paying Agent shall, until used or applied as provided in this Resolution, be held in trust for the purposes for which they were received.

## **ARTICLE IX**

### **DEFEASANCE; DISCHARGE OF PLEDGE OF RESOLUTION**

**Section 9.01. Defeasance: Discharge of Pledge of Resolution.** If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all 2010 Series A Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then this Resolution and the pledges of the Net Revenues and other moneys and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the 2010 Series A Bonds made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, except as may be necessary to assure the exclusion of interest on the 2010 Series A Bonds from gross income for federal income tax purposes.

The 2010 Series A Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on the 2010 Series A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All 2010 Series A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Bond commission or an escrow trustee either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on the 2010 Series A Bonds on and prior to the Maturity Date thereof, or if the Issuer irrevocably determines to redeem any of the 2010 Series A Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor moneys deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the 2010 Series A Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of an redemption premium, if any, and interest to become due on the 2010 Series A Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations, as such term is limited by the provisions in Section 1.01 hereof or such additional securities as shall be set forth in the Certificate of Determination.

## ARTICLE X

### MISCELLANEOUS

Section 10.01. Amendment of Resolution. Prior to issuance of the 2010 Series A Bonds, this Resolution may be amended or supplemented in any way by a Supplemental Resolution. Following issuance of the 2010 Series A Bonds, this Resolution may be amended or modified by a Supplemental Resolution without the consent of any Bondholder or other person, so long as such amendment or modification is not materially adverse to any Bondholder, as determined by an opinion of Bond Counsel. No Materially adverse amendment or modification to this Resolution, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the 2010 Series A Bonds then Outstanding and affected thereby, which must be filed with the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any 2010 Series A Bond without the express written consent of the Holder of each 2010 Series A Bond so affected, nor reduce the percentage of 2010 Series A Bonds required for consent to any such modification or amendment.

Section 10.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Resolution may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointment or authorizing any such attorney, shall be sufficient for any purpose of this Resolution if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

A. The fact and date of the execution by any Bondholder or his attorney of any such instrument may be proved (i) by the certificate of a notary public or other officer authorized to take acknowledgments of deeds to be recorded in the jurisdiction in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer or (ii) by the certificate, which need not be acknowledged or verified, of an officer of a bank, a trust company or a financial firm or corporation satisfactory to the Issuer or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

B. The authority of a person or persons to execute any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or treasurer or a vice-president or an assistant treasurer of such corporation with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary.



C. The amount of fully registered Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

Any request, consent or other instrument executed by the Holder of any Bond shall bind all future Holders and owners or such Bond in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 10.03. Preservation and Inspection of Documents. To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Resolution shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Bondholder, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Resolution shall be discharged as provided in Section 9.01.

Section 10.04. Cancellation of Bonds. All Bonds purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Bonds shall be deemed Outstanding under this Resolution and no Bonds shall be issued in lieu thereof. All such Bonds shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Bonds. Anything in this Resolution to the contrary notwithstanding, any moneys held by the Bond Commission or Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for 1 year after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such moneys then unclaimed will be returned to the Issuer. If any of said Bonds is a coupon Bond, the Registrar or said Paying Agent shall also publish such notice, not less than 30 days prior to the date such moneys will be returned to the Issuer, in an Authorized Newspaper.

Section 10.06. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Paying Agent, the Depository Bank, the Original Purchaser shall be in writing and shall be properly made if sent by united States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is

required to be directed as indicated below or by Electronic Means (other than a telephonic communication):

ISSUER

Jefferson County Public Service District  
340 Edmonds Road, Suite A  
Kearneysville, West Virginia 25430  
Attention: Chairman

REGISTRAR AND PAYING AGENT

[To be set forth in the Certificate of Determination.]

DEPOSITORY BANK

[To be set forth in the Certificate of Determination.]

ORIGINAL PURCHASER

Crews & Associates, Inc.  
Capital Markets Group  
300 Summers Street, Suite 930  
Charleston, West Virginia 25301  
Attention: Public Finance

Any party listed above may change such address listed for it at any time upon notice of change sent by United States mail, postage prepaid, or by Electronic Means to the other parties.

Section 10.07. No Personal Liability. No member of the Issuer or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Resolution.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Resolution and of all Bonds issued hereunder.

Section 10.09. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the 2010 Series A Bonds and the Original Purchaser, any right, remedy or claim under or by reason of this Resolution. All the covenants, stipulations, promises and agreements contained in this Resolution by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the 2010 Series A Bonds and the Original Purchaser.

Section 10.10. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Resolution.

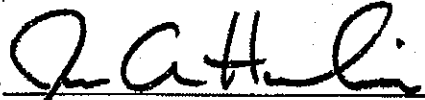
Section 10.11. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

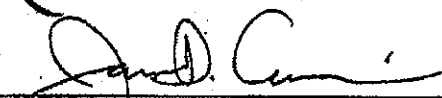
Section 10.12. Conflicting Provisions Repealed. All orders, resolutions or parts thereof in conflict with the provisions of this Resolution, are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between this Resolution and the Prior Resolutions authorizing the Prior Bonds, the Prior Resolutions shall control, unless less restrictive, so long as the Prior Bonds are Outstanding.

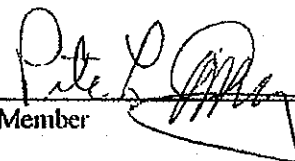
Section 10.13. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do Exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto, and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with the Resolution occurred and are duly in office.

Section 10.14. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 6<sup>th</sup> day of April, 2010

  
Chairman

  
Member

  
Member

CERTIFICATION

Certified a true, correct and complete copy of a Resolution duly adopted by the  
Public Service Board of Jefferson County Public Service District on the 6th day of April, 2010.

Dated this 7<sup>th</sup> day of June, 2010.

[SEAL]

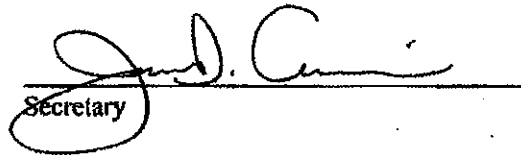
  
Secretary

EXHIBIT A – BOND FORM

*Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co. has an interest herein.*

No. AR-\_\_\_\_\_

\$\_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BOND  
2010 SERIES A

INTEREST RATE  
NO.

MATURITY DATE

BOND DATE

CUSIP

\_\_\_\_\_%

October 1, 2028

\_\_\_\_\_, 2010

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which

case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on \_\_\_\_\_ 1 and \_\_\_\_\_ 1, in each year, beginning \_\_\_\_\_ 1, 2011 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalization terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by \_\_\_\_\_, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each \_\_\_\_\_ 15 and \_\_\_\_\_ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by \_\_\_\_\_, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least \$500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in \_\_\_\_\_, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of \$ \_\_\_\_\_ designated "Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "Bonds")", of like tenor and effect, except as to number, denomination, date of maturity and interest rate, date \_\_\_\_\_ 1, \_\_, the proceeds of which are to be used, together with other funds of the Issuer, (i) to currently refund all of the Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, of the Issuer outstanding in the total aggregate principal amount of \$ \_\_\_\_\_ (the "Bonds to be Refunded"), which were issued to (i) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the public sewerage system of the Issuer (the "System"); (ii) to fund a reserve account for the Bonds; and (iii) to pay certain costs of issuance of the Bonds and related costs. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on April 6, 2010 (the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the

Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the Office of the Issuer.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF THE SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING SEWER REVENUE BONDS OF THE ISSUER: (I) SEWER REVENUE BONDS, SERIES 1988B, DATED MAY 5, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$425,767 (THE "SERIES 1988B BONDS"), (II) SEWER REVENUE BONDS, SERIES 1993A (WEST VIRGINIA SRF PROGRAM), DATED NOVEMBER 10, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$971,000 (THE "SERIES 1993A BONDS"), (III) SEWER REVENUE BONDS, SERIES 1998B (WEST VIRGINIA SRF PROGRAM), DATED JUNE 25, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$599,089 (THE "SERIES 1998B BONDS"), (IV) SEWER REVENUE BONDS, SERIES 1998C (WEST VIRGINIA INFRASTRUCTURE FUND), DATED JUNE 25, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$662,039 (THE "SERIES 1998C BONDS"), (V) SEWER REVENUE BONDS, SERIES 1999A (WEST VIRGINIA SRF PROGRAM), DATED DECEMBER 8, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$378,363 (THE "SERIES 1999A BONDS"), (VI) SEWER REVENUE BONDS, SERIES 2000A (WEST VIRGINIA SRF PROGRAM), DATED JUNE 22, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,154,889 (THE "SERIES 2000A BONDS"), AND (VII) SEWER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA SRF PROGRAM), DATED JUNE 18, 2008, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$2,005,000 (THE "SERIES 2008A BONDS," AND COLLECTIVELY WITH THE SERIES 1988B BONDS, THE SERIES 1993A BONDS, THE SERIES 1998B BONDS, THE SERIES 1998C BONDS, THE SERIES 1999A BONDS, THE SERIES 2000A BONDS AND THE SERIES 2008 A BONDS, THE "PRIOR BONDS"). THE PRIOR BONDS ARE PAYABLE FROM AND SECURED BY NET REVENUES OF THE SYSTEM.

The Issuer also has outstanding its Refunding Sewerage System Bond Anticipation Notes, Series 2010, dated January 6, 2010, issued in the aggregate principal amount of \$750,000. The Notes are payable only from and secured by a first lien on (i) the proceeds of revenue bonds or other obligations of the Issuer to be issued subsequent to the issuance of the Notes to permanently finance the costs of the Project; (ii) the proceeds of any grants received by the Issuer for the Project, and (iii) the Surplus Revenues, if any, of the System. The Notes are subordinate in all respects to the Prior Bonds.

The Bonds of this issue are subject to redemption prior to their stated Maturity Dates, as provided in the Resolution and Certificate of Determination, as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are not subject to optional redemption prior to \_\_\_\_\_. At the option of the Issuer, the Bonds will be subject to redemption prior to maturity on and after \_\_\_\_\_, \_\_\_\_\_, as a whole at any time and in part on any Interest Payment Date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

| <u>Period During Which Redeemed</u><br><u>Dates Inclusive)</u> | <u>Redemption</u><br><u>Price</u> |
|----------------------------------------------------------------|-----------------------------------|
|----------------------------------------------------------------|-----------------------------------|

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on \_\_\_\_\_, are subject to mandatory sinking fund redemption prior to maturing on \_\_\_\_\_ of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

| <u>Bonds Maturing</u> |                         |
|-----------------------|-------------------------|
| <u>Year ( )</u>       | <u>Principal Amount</u> |

| <u>Bonds Maturing</u> |                         |
|-----------------------|-------------------------|
| <u>Year ( )</u>       | <u>Principal Amount</u> |

| <u>Bonds Maturing</u> |                         |
|-----------------------|-------------------------|
| <u>Year ( )</u>       | <u>Principal Amount</u> |



Bonds Maturing

Year (    )

Principal Amount

\* Final Maturity

In the event of any redemption of less than all outstanding Bonds, Bonds shall be selected for redemption by lot or in such other manner deemed appropriate by the Paying Agent. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registrar or at such other address as is furnished in writing by such Registered Owner to the Registrar. A copy of such notice of redemption shall also be mailed to the Registrar. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Bond.

This Bond is payable from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and senior and prior to the Notes, and from moneys in the reserve account created under the Resolution for the Bonds (the "2010 Series A Bonds Reserve Account") and unexpected proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the 2010 Series A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and

to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Prior Bonds. Additional parity bonds may be issued under the conditions and within the limitations set forth in the Resolution.

All moneys received from the sale of this Bond except for accrued interest thereon shall be applied solely to refund the Bonds to be Refunded, fund a reserve account for the Bonds, and pay costs of issuance thereof, and there shall be, and hereby is, created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Bonds of which this Bond is one.

This Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Resolution.

This Bond, together with the interest thereon, is under the Act exempt from taxation by the State of West Virginia, and the other taxing bodies of the State.

This Bond has been designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication and registration thereon shall have been signed by the Registrar.

All provisions of the Resolution and the statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA) has caused this bond to be signed by its Chairman, and its corporate seal to be imprinted hereon and attested by its Secretary, and has caused this Bond to be dated, as of the Bond Date specified above.

[SEAL]

(Manual or Facsimile Signature)

Chairman

ATTEST:

(Manual or Facsimile Signature)

Secretary

**CERTIFICATE OF AUTHENTICATION AND REGISTRATION**

This Bond is one of the fully registered Bonds described in the written-mentioned Resolution and has been duly registered in the name of the Registered Owner on the date set forth below.

Dated: \_\_\_\_\_, 2010

\_\_\_\_\_  
as Registrar

By \_\_\_\_\_  
Its: Authorized Officer

ASSIGNMENT

Social Security or Other Identifying Number of Assignee \_\_\_\_\_  
\_\_\_\_\_

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and  
transfers unto

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ the within Bond and does hereby  
irrevocably constitute and appoint

\_\_\_\_\_ to transfer the said Bond on the  
books kept for registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_

SIGNATURE GUARANTEED:

\_\_\_\_\_  
(Bank, Trust Company or Firm)

\_\_\_\_\_  
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond  
with the name as it appears upon the face of the within Bond in every particular, without  
alteration or any change whatever.

EXHIBIT B-- FORM OF CERTIFICATE OF DETERMINATION

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

CERTIFICATE OF DETERMINATION

The undersigned, \_\_\_\_\_, Chairman of the Jefferson County Public Service District (the "District"), in accordance with Sections 2.02 and 2.03 of the Bond Resolution adopted by the Board of the District (the "Board") on April 6, 2010 (the "Parameters Resolution"), with respect to the \$ \_\_\_\_\_ Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "2010 Series A Bonds"), hereby determines, that:

1. The 2010 Series A Bonds shall be issued in the aggregate principal amount of \$ \_\_\_\_\_, which is less than the \$1,975,000 principal amount approved by the Parameters Resolution.
2. The 2010 Series A Bonds shall mature on \_\_\_\_\_ 1, 20\_\_\_\_, which does not exceed the Maturity Date established by the Parameters Resolution.
3. The 2010 Series A Bonds shall bear interest upon original issuance at the rates set forth in Schedule A. The interest rates on the 2010 Series A Bonds upon original issuance do not exceed the maximum rate of 7.5% per annum established by the Parameters Resolution.
4. The 2010 Series A Bonds shall be subject to mandatory and optional redemption prior to maturity as set forth on the attached Schedule A.
5. The 2010 Series A Bonds shall be sold to Crews & Associates, Inc. (the "Underwriter") in accordance with the terms of the Purchase Contract dated \_\_\_\_\_, 2010 between the Underwriter and the Issuer, at an aggregate purchase price of \$ \_\_\_\_\_ (representing par value less an underwriting discount of \$ \_\_\_\_\_ and a net original issue discount of \$ \_\_\_\_\_).
6. The 2010 Series A Bonds shall be dated \_\_\_\_\_, 2010.
7. The 2010 Series A Bonds shall be designated as set forth above.

The undersigned certifies that the foregoing terms and conditions of the 2010 Series A Bonds are within the limitations prescribed by Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended, and within the limits prescribed by the Parameters Resolution.

JEFFERSON COUNTY PUBLIC SERVICE  
DISTRICT

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_, 2010

## **SCHEDULE A TO EXHIBIT B**

### **CERTAIN DETAILS OF THE BONDS**

The Bonds shall bear interest (based on a 360-day year of twelve 30-day months) at the respective rates and shall mature on \_\_\_\_\_ 1 of the years and in the principal amounts set forth below:

| <u>Year</u> | <u>Principal<br/>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP</u> |
|-------------|-----------------------------|----------------------|--------------|--------------|
|-------------|-----------------------------|----------------------|--------------|--------------|

### **Redemption Provisions**

*Mandatory Sinking Fund Redemption.* The Bonds maturing \_\_\_\_\_ are subject to mandatory redemption, prior to their stated Maturity Date, in part, from payments deposited in the \_\_\_\_\_ Fund, on \_\_\_\_\_ 1 in the years set forth below. The redemption price will be 100% of the principal amount of the Bonds to be so redeemed plus accrued interest, if any, to the redemption date. On the following dates, such maturity of Bonds shall be redeemed or paid in the amounts set forth opposite each such date:



Maturing \_\_\_\_\_ 1, 20\_\_

Year

Principal Amount

\* Denotes final maturity

*Optional Redemption.* The Bonds are not subject to optional redemption prior to \_\_\_\_\_. At the option of the Issuer, the Bonds will be subject to redemption prior to maturity on and after \_\_\_\_\_, \_\_\_\_\_, as a whole at any time and in part on any Interest Payment Date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed  
Dates Inclusive)

Redemption  
Price

EXHIBIT C - FORM OF ESCROW AGREEMENT

§ \_\_\_\_\_  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

ESCROW AGREEMENT

This ESCROW AGREEMENT, made and entered into as of \_\_\_\_\_, 2010, by and between JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (the "Issuer") and the WEST VIRGINIA MUNICIPAL BOND COMMISSION (the "Commission" or the "Escrow Agent").

WITNESSETH THAT:

WHEREAS, the Issuer presently owns and operates a public sewerage system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of Prior Bonds (as hereinafter defined), including its Sewer Refunding Revenue Bonds, Series 1998A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 (the "Bonds to be Refunded");

WHEREAS, the Issuer currently has outstanding its (i) Sewer Revenue Bonds, Series 1988B, dated May 5, 1988, issued in the original aggregate principal amount of \$425,767 (the "Series 1988B Bonds"), (ii) Sewer Revenue Bonds, Series 1993A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of \$971,000 (the "Series 1993A Bonds"), (iii) Sewer Revenue Bonds, Series 1998B (West Virginia SRF Program), dated June 2, 1998, issued in the original aggregate principal amount of \$599,089 (the "Series 1998B Bonds"), (iv) Sewer Revenue Bonds, Series 1998C (West Virginia Infrastructure Fund), dated June 2, 1998, issued in the original aggregate principal amount of \$662,039 (the "Series 1998C Bonds"), (v) Sewer Revenue Bonds, Series 1999A (West Virginia SRF Program), dated December 8, 1999, issued in the original aggregate principal amount of \$378,363 (the "Series 1999A Bonds"), (vi) Sewer Revenue Bonds, Series 2000A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of \$1,154,889 (the "Series 2000A Bonds"), and (vii) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated June 18, 2008, issued in the original aggregate principal amount of \$2,005,000 (the "Series 2008A Bonds," and collectively with the Series 1988B Bonds, the Series 1993A Bonds, the Series 1998B Bonds, the Series 1998C Bonds, the Series 1999A Bonds, the Series 2000A Bonds and the Series 2008 A Bonds, the "Prior Bonds").

WHEREAS, under the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and empowered to issue

refunding revenue bonds for the purpose of retiring or refinancing all or any apart of the outstanding Bonds to be Refunded;

WHEREAS, the Issuer is advised that present value debt service savings will be realized as a result of the refunding of the Bonds to be Refunded;

WHEREAS, the Issuer has determined and hereby determines that it would therefore be to the benefit of the Issuer and its residents to refund the Bonds to be Refunded and to redeem the Bonds to be Refunded on the Redemption Date (hereinafter defined), in the manner set forth herein with proceeds of a series of bonds to be designated "Sewer Refunding Revenue Bonds, 2010 Series A" (the "2010 Bonds"), in the maximum aggregate principal amount of not more than \$1,975,000, together with other moneys of the Issuer;

WHEREAS, the Bonds to be Refunded were issued pursuant to a resolution of the Issuer duly adopted on February 26, 1998, as supplemented by a resolution of the Issuer duly adopted on February 26, 1998 (collectively, the "1998 Resolution");

WHEREAS, the Issuer has determined to issue its Sewer Refunding Revenue Bonds, 2010 Series A (the "2010 Series A Bonds") pursuant to a resolution adopted April 6, 2010 (the "Resolution"), and contemporaneously therewith, legally defease the Bonds to be Refunded by applying proceeds of the 2010 Series A Bonds and certain moneys of the Issuer ("Issuer's Funds") which shall be deposited in the Escrow Fund herein described;

WHEREAS, capitalized terms used herein and otherwise defined shall have the meanings set forth in the Resolution;

WHEREAS, the amounts deposited in the Escrow Fund delivered to the Escrow Agent simultaneously with the delivery of the 2010 Series A Bonds, are in such principal amount and mature and bear interest at such rates and are payable at such times and in such amounts as to insure the payment of the principal of and interest on the Bonds to be Refunded on the redemption date thereof, being \_\_\_\_\_, 2010 (the "Redemption Date"), the entire remaining principal amount of the Bonds to be Refunded then outstanding, together with a redemption premium and interest accrued thereon to such date (collectively, the "Redemption Price") and the Redemption Price is an amount sufficient to fully defease the Bonds to be Refunded pursuant to the Verification Report, dated \_\_\_\_\_, 2010, of \_\_\_\_\_, a firm of independent certified public accountants, attached hereto as EXHIBIT A - VERIFICATION REPORT (the "Verification Report"); and

WHEREAS, the Issuer has found it desirable to appoint the Escrow Agent and the Escrow Agent has agreed to such appointment for the purposes of receiving the deposits to the escrow fund (hereinafter defined) and disbursing to the paying agent such amounts as may be necessary to provide the Redemption Price on the Redemption Date;

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and in order further to secure payment of the Bonds to be Refunded, as heretofore provided, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives, successors and assigns, as follows:

1. There is hereby created and established with the Escrow Agent an irrevocable trust fund to be known as the "Escrow Fund," to be held in the custody of the Escrow Agent, separate and apart from all other funds of the Issuer and the Escrow Agent. The deposits of moneys in the Escrow Fund shall constitute an irrevocable deposit of said moneys in trust for, and such moneys, together with any income or interest earned thereon, shall be applied, except as otherwise provided herein, to the payment of the Redemption Price of the Bonds to be Refunded on the Redemption Date, all in accordance with paragraph 4 hereof.

2. Concurrently with the delivery of the 2010 Series A Bonds, the Commission shall transfer from the Bonds to be Refunded Sinking Fund the sum of \$\_\_\_\_\_ to the Escrow Agent for deposit into the Escrow Fund and from the Bonds to be Refunded Reserve Account the sum of \$\_\_\_\_\_ to the Escrow Agent for deposit into the Escrow Fund.

3. Concurrently with the delivery of the 2010 Series A Bonds, the Issuer and the Escrow Agent shall cause (i) 2010 Series A Bonds proceeds in the amount of \$\_\_\_\_\_, and (ii) the amount described in paragraph 2 above, on deposit with the Commission in the Bonds to be Refunded Sinking Fund and Reserve Account in the amount of \$\_\_\_\_\_ (total of \$\_\_\_\_\_) to be deposited in the Escrow Fund and shall be applied solely to the payment of the Bonds to be Refunded. \_\_\_\_\_, has certified, in its Verification Report, attached hereto as EXHIBIT A, that the cash in the Escrow Fund will be sufficient to pay the principal of and interest on the Bonds to be Refunded as the same become due, and on the Redemption Date. The monies in the Escrow Fund shall not be invested.

4. The Escrow Agent shall transfer from the Escrow Fund and deposit the Redemption Price directly with the paying agent for the Bonds to be Refunded, in immediately available funds on the Redemption Date.

5. The holders of the Bonds to be Refunded shall have an express lien on all money and assets in the Escrow Fund until paid out, used and applied in accordance with this Agreement.

6. Subject to the provisions of paragraph 15 hereof, 12 months after the payment of all amounts required to be paid pursuant to paragraph 4 of this Agreement, the amounts remaining in the Escrow Fund, if any, shall be deposited by the Escrow Agent in the 2010 Series A Bonds Sinking Fund, and applied to payment of the 2010 Series A Bonds.

7. The Escrow Agent shall be entitled to fees for services rendered under this Escrow Agreement and reasonable expenses as set forth in EXHIBIT B – ESCROW AGENT FEES, attached hereto. The Issuer shall pay from its own funds, to the Escrow Agent the amounts at the times set forth in EXHIBIT B. In no event shall such fees or expenses be paid from the Escrow Fund, nor shall the Escrow Agent or the paying agent have any lien whatsoever upon any of the moneys in the Escrow Fund for the payment of such fees or expenses.

8. The Issuer and the Escrow Agent independently hereby covenant that no part of the moneys or funds at any time in the Escrow Fund shall be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Bonds to be Refunded or the 2010 Series A Bonds to be an "arbitrage bond" as defined in Section 148 of the Code, or to be subject to treatment under Section 148 as an obligation not described in Section 103 of the Code.

9. The Escrow Agent shall not have any responsibility with respect to the sufficiency of this Escrow Agreement to effect payment, redemption or defeasance of the Bonds to be Refunded. The liability of the Escrow Agent for the payment of the principal of, interest on and Redemption Price of the Bonds to be Refunded shall be limited to the payment of all amounts required to be paid pursuant to paragraph 4 hereof. The Escrow Agent shall not be liable or responsible because of the failure of the Issuer to perform any act required of it by this Escrow Agreement. The Escrow Agent shall have no responsibility to the Issuer or any other person in connection with this Escrow Agreement except as specifically provided herein, and shall not be responsible for anything done or omitted to be done by it except for its own negligence or willful default in the performance of any obligation imposed on it hereunder.

10. By execution of this Escrow Agreement, the Escrow Agent accepts the duties and obligations as Escrow Agent hereunder. The Escrow Agent represents that it has all requisite power, and has taken all action necessary to execute the trusts hereby created.

11. If the Escrow Agent is called upon by the terms of this Escrow Agreement to determine the occurrence of any event or contingency, the Escrow Agent may request from the Issuer or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may inquire and consult with the Issuer, at any time. The Escrow Agent may request an opinion of counsel for a determination of any legal issue which might arise in the performance of its duties hereunder and may act in accordance with the advice given in such opinion.

12. The Escrow Agent may act upon any notice, request, waiver, consent, certificate, receipt, authorization, power of attorney or other instrument or document which the Escrow Agent in good faith believes to be genuine and correct and to have been signed or sent by the proper person or persons.

13. The Escrow Agent may resign or be removed by the Issuer, and thereby become discharged from the trusts hereby created, by notice given to the Issuer not less than thirty (30) days before such resignation or removal shall take effect. Such resignation or removal shall take effect immediately, however, upon the earlier appointment of a new Escrow Agent hereunder and acceptance of the trusts hereby created. The Escrow Agent shall continue to serve as Escrow Agent until a successor is appointed and the funds held hereunder transferred. The Escrow Agent shall provide a proper accounting to the Issuer of all funds deposited pursuant to this Escrow Agreement within 30 days of the appointment of a successor Escrow Agent. If no such appointment has been made at the end of the 30 day period, the Escrow Agent may petition a court of competent jurisdiction for appointment of a successor or temporary Escrow Agent. In the event of the resignation or removal of the Escrow Agent, the Escrow Agent shall rebate to the Issuer any fees theretofore paid in advance by the Issuer to the Escrow Agent for its services under this Escrow Agreement.

14. This Escrow Agreement is made for the benefit of the Issuer, the Escrow Agent and the holders of the Bonds to be Refunded, except as otherwise expressly provided herein. This Escrow Agreement may be modified or amended at anytime, provided, however, that no such modification or amendment shall be made which would, materially adversely affect the interest of any of the holders of the Bonds to be Refunded.

15. If any Outstanding Bonds to be Refunded are not presented for payment on the Redemption Date, and moneys are held by the Escrow Agent for payment thereof, such moneys shall be held for such purposes for a period of 2 years from the Redemption Date, at which time such moneys shall be paid to the Issuer. Following such payment to the Issuer, the Issuer shall be responsible for payment to any holder of the Bonds to be Refunded presenting such Bonds to be Refunded to the Escrow Agent of the amount payable to such holder.

16. This Escrow Agreement shall terminate on the earlier of the date on which all the Outstanding Bonds to be Refunded have been redeemed, paid in full and discharged, or, as described in paragraph 15 above, 2 years after the last date on which payment on the Bonds to be Refunded is due. Upon termination of this Escrow Agreement, any remaining moneys in the Escrow Fund shall be transferred as provided in paragraph 6 hereof.

17. If any one or more of the covenants or agreements provided in this Escrow Agreement to be performed on the part of any of the parties hereto shall be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreement shall be deemed and construed to be severable from the remaining covenants and agreements here in contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

18. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

19. This Escrow Agreement is made in the State of West Virginia under the Constitution and laws of such State and is to be so construed.

IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement on the day and year first above written.

JEFFERSON COUNTY PUBLIC SERVICE  
DISTRICT

By: \_\_\_\_\_  
Its: Chairman

WEST VIRGINIA MUNICIPAL BOND  
COMMISSION

By: \_\_\_\_\_  
Its: Executive Director

**EXHIBIT A TO ESCROW AGREEMENT -**  
**VERIFICATION REPORT**



**EXHIBIT B TO ESCROW AGREEMENT-**  
**ESCROW AGENT FEES**

None.

**Exhibit D - Bond Purchase Agreement**

**BOND PURCHASE AGREEMENT**

Date: \_\_\_\_\_, 2010

Jefferson County Public Service District  
340 Edmond Road, Suite A  
Kearneysville, West Virginia 25430

Re: \$ \_\_\_\_\_ Jefferson County Public Service District (West Virginia)  
Sewer Refunding Revenue Bonds, 2010 Series A

Ladies and Gentlemen:

Crews & Associates, Inc. (the "Underwriter") offers to enter into the following agreement with the Jefferson County Public Service District (West Virginia) (the "Issuer") which, upon your acceptance of this offer, will be binding upon you and upon the Underwriter. Words and terms not otherwise defined herein shall have the same meanings as set forth in the Official Statement described in Section 3 hereof.

This offer is made subject to acceptance by the Issuer on or before \_\_\_\_\_, 2010, at 7:00 p.m., New York, New York time.

1. Upon and subject to the terms and conditions and upon the basis of the respective representations, warranties and covenants hereinafter set forth, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriter, all (but not less than all) of the \$ \_\_\_\_\_ Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "2010 Series A Bonds" or the "Bonds"), at an aggregate purchase price of \$ \_\_\_\_\_ (which represents the aggregate principal amount of the 2010 Series A Bonds, less a \$ \_\_\_\_\_ underwriting discount).

The 2010 Series A Bonds are to be special limited obligations of the Issuer, issued pursuant to a Bond Resolution duly adopted by the Issuer on April 6, 2010 (the "Resolution") with the final terms to be as set forth and described in a Certificate of Determinations executed and delivered by the Issuer on \_\_\_\_\_, 2010 (the "Certificate of Determinations"). The payment of the debt service of all of the 2010 Series A Bonds are secured forthwith equally and ratably by: (i) the Net Revenues of the sewerage system of the Issuer (the "System"), on a parity with respect to lien on, source of and security for payment with the Prior Bonds (hereinafter defined), and senior and prior to the Notes (hereinafter defined), (ii) the monies on deposit in the funds and accounts established by the Resolution in connection with the 2010 Series A Bonds, including the monies on deposit in the Escrow Fund (the "Escrow Fund") established pursuant to the Escrow Agreement, dated \_\_\_\_\_, 2010, between the Issuer and the West Virginia Municipal Bond Commission (the "Escrow Agreement"), and (iii) the unexpended proceeds of the 2010 Series A Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the 2010 Series A Bonds and the Prior Bonds, and all other payments provided for in the Resolution, are irrevocably pledged in the manner provided in the Resolution to the payment of the

principal of and interest on the 2010 Series A Bonds as the same become due and for the other purposes provided in the Resolution.

The Issuer currently has outstanding the following revenue bonds which are secured by the Net Revenues of the System: (i) Sewer Revenue Bonds, Series 1988 B, dated May 5, 1988, issued in the original aggregate principal amount of \$425,767 (the "Series 1988 B Bonds"); (ii) Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of \$971,000 (the "Series 1993 A Bonds"); (iii) Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 (the "Series 1998 A Bonds"); (iv) Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program), dated June 25, 1998, issued in the original aggregate principal amount of \$599,089 (the "Series 1998 B Bonds"); (v) Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund), dated June 25, 1998, issued in the original aggregate principal amount of \$662,039 (the "Series 1998 C Bonds"); (vi) Sewer Revenue Bonds, Series 1999 A (West Virginia SRF Program), dated December 8, 1999, issued in the original aggregate principal amount of \$378,363 (the "Series 1999 A Bonds"); (vii) Sewer Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of \$1,154,889 (the "Series 2000 A Bonds"); (viii) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated June 18, 2008, issued in the original aggregate principal amount of \$2,005,000 (the "Series 2008 A Bonds") (collectively, hereinafter called the "Prior Bonds"). The resolutions pursuant to which the Prior Bonds were issued are hereinafter collectively called the "Prior Resolutions".

The 2010 Series A Bonds shall be issued on a parity with respect to lien on, source of and security for payment with the Prior Bonds. The Issuer may issue additional bonds which are on a parity with the 2010 Series A Bonds in the manner and subject to the terms and conditions set forth in Section 6.07 of the Resolution.

The Issuer also has outstanding its Refunding Sewerage System Bond Anticipation Notes, Series 2010 (the "Notes"), dated January 6, 2010, issued in the aggregate principal amount of \$750,000. The Notes are payable only from and secured by a first lien on (i) the proceeds of revenue bonds or other obligations of the Issuer to be issued subsequent to the issuance of the Notes to permanently finance the costs of the project refinanced by the proceeds of the Notes; (ii) the proceeds of any grants received by the Issuer for the project refinanced by the proceeds of the Notes, and (iii) the Surplus Revenues, if any, of the System. The Notes are subordinate in all respects to the 2010 Series A Bonds and the Prior Bonds.

The proceeds of the 2010 Series A Bonds, together with other funds of the Issuer available therefor, will be used as follows: (i) to refund the entire outstanding principal balance and all accrued interest on the Issuer's outstanding Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 (the "Bonds to be Refunded"); (ii) to fund a Reserve Fund for the 2010 Series A Bonds, if 2010 Series A Bond Proceeds are necessary therefore; and (iii) to pay costs of issuance of the 2010 Series A Bonds and related costs.

2. The 2010 Series A Bonds will mature on the dates and in the amounts and will bear interest at the rates as set forth on Exhibit A hereto. The 2010 Series A Bonds will be subject to redemption at the times and prices set forth in the Certificate of Determinations.

3. Within seven business days of its acceptance hereof, the Issuer shall deliver to the Underwriter at the expense of the Issuer a sufficient number of copies of a final Official Statement of the Issuer of even date herewith, executed by the Issuer (the "Official Statement") to enable the Underwriter to provide an Official Statement with confirmation of the purchase of the Bonds and to otherwise provide copies of the Official Statement as required by Rule 15c2-12 under the Securities Exchange Act of 1934. The Official Statement shall be in substantially the same form as that of the Preliminary Official

Statement of the Issuer dated \_\_\_\_\_, 2010 (the "Preliminary Official Statement") previously distributed with respect to the 2010 Series A Bonds. The Issuer hereby authorizes the use of the Official Statement and the information therein contained in connection with the public offering and sale of the 2010 Series A Bonds.

The Issuer hereby approves the forms of, and consents to the Underwriter's use of, the Preliminary Official Statement and the Official Statement in connection with the offering and sale of the 2010 Series A Bonds. The Official Statement is hereby deemed final within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934, with such changes, omissions, insertions and revisions as the Chairman of the Issuer shall deem advisable, such signature to evidence approval thereof, and is hereby authorized.

4. In order to induce the Underwriter to enter into this Bond Purchase Agreement, the Issuer hereby represents and warrants to the Underwriter that both at the time of acceptance hereof by the Issuer and at the time of Closing:

(a) the statements and information contained in the Official Statement under the heading "INTRODUCTION," "SOURCES AND USES OF FUNDS," "SECURITY FOR THE 2010 SERIES A BONDS," "THE SYSTEM," "LITIGATION," "FINANCIAL STATEMENTS OF THE DISTRICT," "CONTINUING DISCLOSURE," and APPENDICES A and B are and will be true, correct and complete in all material respects and such statements and information do not and will not contain any untrue or misleading statement of a material fact or omit any statement or information which is necessary to make the statements and information therein, in the light of the circumstances under which they were made or presented, not misleading in any material respect;

(b) the Issuer is and will be duly organized and validly existing under the laws of the State of West Virginia with the powers and authority set forth in Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), including the full legal right, power and authority to issue revenue bonds to finance the costs of the refunding of the Bonds to be Refunded and to enter into this Bond Purchase Agreement, to adopt resolutions with respect to the 2010 Series A Bonds, to issue, sell and deliver the Bonds to the Underwriter as provided herein and to carry out and consummate all other transactions contemplated by the aforesaid documents;

(c) when delivered to and paid for by the Underwriter at the Closing in accordance with the provisions of this Bond Purchase Agreement, the Bonds will have been duly authorized, executed, authenticated, issued and delivered and will constitute valid and binding special obligations of the Issuer of the character permitted by the Act (as defined in the Resolution), in conformity with, and entitled to the benefit and security of, the Act and the Resolution;

(d) the execution and delivery of this Bond Purchase Agreement, the 2010 Series A Bonds, the Tax Certificate by the Issuer dated the date of delivery of the 2010 Series A Bonds (the "Tax Certificate"), the Escrow Agreement, dated the date of delivery of the 2010 Series A Bonds, by and between the Issuer and the West Virginia Municipal Bond Commission (the "Escrow Agreement"), the Continuing Disclosure Certificate by the Issuer dated the date of delivery of the 2010 Series A Bonds (the "Continuing Disclosure Certificate") and the other documents and certificates to be executed and delivered by the Issuer in connection with the issuance of the 2010 Series A Bonds (collectively, the "Bond Documents") and compliance with the provisions hereof and thereof, under the circumstances contemplated hereby and thereby, will not in any material respect conflict with or constitute on the part of the Issuer a breach of or default under any agreement or other instrument to which the Issuer is a party or any existing law, administrative regulation, court order or consent decree to which the Issuer is subject;

(e) all approvals, consents and orders of any governmental authority, board, agency, council or commission having jurisdiction which would constitute a condition precedent to the performance by the Issuer of its obligations hereunder and under the Resolution and the Bonds have been obtained or, if not, will be obtained on or prior to the time of Closing;

(f) no litigation is pending or, to the knowledge of the Issuer, threatened (i) seeking to restrain or enjoin the issuance or delivery of any of the 2010 Series A Bonds or the application of proceeds of the 2010 Series A Bonds as provided in the Resolution, (ii) in any way contesting or affecting any authority for the issuance of the 2010 Series A Bonds or the validity of the 2010 Series A Bonds, the Resolution or any of the Bond Documents, (iii) in any way contesting the existence or powers of the Issuer, or (iv) in any way contesting the right of the members of the board of the Issuer to hold any of their respective offices;

(g) the Issuer is not in breach of or in default under any existing law, court or administrative regulation, decree or order applicable to the Issuer or by which it or its property is bound, and no event has occurred or is continuing which, with the passage of time or the giving of notice, or both, would constitute a breach of or a default or an event of default thereunder, wherein such breach or default would have a materially adverse impact on the transactions contemplated by this Bond Purchase Agreement, the Official Statement or the Resolution or the validity of the 2010 Series A Bonds or any of such other documents or any agreement or instrument to which the Issuer is a party or by which it or its property is bound and which is used or contemplated for use in the consummation of the transactions contemplated hereby;

(h) any certificate signed by any officer of the Issuer and delivered to the Underwriter at the Closing shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein;

(i) when this Bond Purchase Agreement is accepted by the Issuer, and when the 2010 Series A Bonds are issued, authenticated, sold and delivered to the Underwriter, each of the representations and certifications of the Issuer herein, in the Resolution and in the Bond Documents is and will be true, accurate and complete;

(j) the Issuer has not received any judicial or administrative notice which in any way questions the Federal tax exempt status of interest on the 2010 Series A Bonds or indicates that certificates of the Issuer as to non-arbitrage may not be relied upon in accordance with applicable Treasury Regulations;

(k) since June 30, 2009, no material and adverse change has occurred in the financial position or results of operations of the Issuer;

(l) since June 30, 2009, the Issuer has not incurred any material liabilities other than as disclosed in the Official Statement;

(m) to the best knowledge of the officer executing this Bond Purchase Agreement it is not in breach of or in default under any existing law, court or administrative regulation, decree, order, agreement or other instrument to which it is subject or is a party or by which it or any of its property is bound, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a breach of or a default or an event of default thereunder;

(n) the financial statements of the Issuer included in the Preliminary Official

Statement and the Official Statement as Appendix B thereto present fairly the financial position of the Issuer as of the respective dates set forth thereon and the results of its operations and the changes in its financial position for the years ending on such dates in conformity with generally accepted accounting principles applied on a consistent basis, except as disclosed in the financial statements;

(o) the Issuer has duly taken all action necessary to be taken by it for the issuance and sale of the Bonds by the Issuer upon the terms set forth herein and in the Official Statement and the Resolution and for the execution, delivery and performance by it of this Bond Purchase Agreement and the other Bond Documents and has duly taken all such other action as may be necessary or appropriate for the effectuation and consummation of the transactions contemplated hereby or by the Official Statement or the Bond Documents;

(p) the Issuer will not take or omit to take any action which will in any way cause or result in the proceeds from the sale of the 2010 Series A Bonds being applied in a manner other than as provided in the Resolution;

(q) except as may be described in the Official Statement, there is no action, suit, proceeding, investigation at law or in equity before or by any court, public board or body pending or, to the knowledge of the Issuer, threatened against or affecting it which, after due investigation, management believes will result in the award of money damages in excess of the applicable insurance coverages or wherein an unfavorable decision, ruling or finding would have a materially adverse effect on the transactions contemplated by this Bond Purchase Agreement, the Official Statement or the Bond Documents;

(r) the Issuer will not, while any 2010 Series A Bonds are Outstanding (within the meaning of the Resolution), take or permit to be taken any action which would adversely affect the exclusion from gross income of the interest on the 2010 Series A Bonds for Federal income tax purposes; and

(s) the Issuer is eligible and entitled to participate in the transactions contemplated by this Bond Purchase Agreement, the Official Statement or the Bond Documents.

The Issuer covenants that between the date hereof and the time of Closing it will not take any action, or omit to take any action, which will cause any of the representations and warranties made in this Section 4 to be untrue or incomplete as of the time of Closing.

5. (Reserved)

6. The Issuer consents to and ratifies the use of the Preliminary Official Statement prior to the availability of the Official Statement by the Underwriter in connection with the public offering of the 2010 Series A Bonds after the date hereof.

7. At 10:00 A.M. Charleston, West Virginia time, on \_\_\_\_\_, 2010, or at such other time or on such other date as shall have been mutually agreed upon by the Issuer and the Underwriter (the "Closing Date"), the Issuer will deliver the Bonds to the Underwriter through The Depository Trust Company ("DTC") in New York, New York, in definitive form, duly executed by the Issuer and authenticated by the Registrar. Delivery of the documents described in Section 8 hereof shall occur at the offices hereinafter specified. Upon receipt thereof, the Underwriter shall pay the purchase price of the 2010 Series A Bonds, plus accrued interest to the Closing Date, if any, to the Issuer in Federal funds. Such delivery and payment therefor is referred to herein as the "Closing".

Each maturity of the 2010 Series A Bonds shall be represented by a single certificate registered in the name of Cede & Co., as nominee of DTC, and will be made available to the Underwriter for checking not less than 24 hours prior to the Closing Date. It is anticipated that CUSIP identification numbers will be printed on the 2010 Series A Bonds, but neither the failure to print such numbers on any 2010 Series A Bond, nor any error with respect thereto, shall constitute cause for a failure or refusal by the Underwriter to accept delivery of, and pay for, the 2010 Series A Bonds in accordance with the terms of this Bond Purchase Agreement.

The Closing as aforesaid will be held at the offices of Spilman Thomas & Battle, PLLC, Charleston, West Virginia, or at such other place as shall have been mutually agreed upon by the Issuer and the Underwriter.

8. The obligations of the Underwriter hereunder shall be subject (i) to the performance by the Issuer of its obligations to be performed hereunder at or prior to the time of Closing, (ii) to the accuracy and completeness in all material respects, in the reasonable judgment of the Underwriter, of the representations and warranties of the Issuer made herein as of the date hereof and as of the time of Closing and (iii) to the following conditions, including the delivery by the Issuer of such documents as are enumerated herein in form and substance reasonably satisfactory to the Underwriter, counsel to the Underwriter, Steptoe & Johnson PLLC, Clarksburg, West Virginia, ("Underwriter Counsel") and bond counsel, Spilman Thomas & Battle, PLLC, Charleston, West Virginia ("Bond Counsel").

(a) At the time of Closing, (i) the Resolution and the Bond Documents shall have been duly executed and delivered by the respective parties thereto and shall be in full force and effect and shall not have been amended, modified or supplemented from the forms thereof heretofore submitted to the Underwriter, except as may have been agreed to by the Underwriter with such agreement to be conclusively evidenced by the closing, (ii) the proceeds of the sale of the Bonds shall be deposited in accordance with the Resolution and the Official Statement and (iii) the Issuer shall have duly adopted and there shall be in full force and effect such resolutions as in the opinion of Underwriter Counsel shall be necessary in connection with the transactions contemplated hereby.

(b) The Underwriter shall have the right to cancel its obligations to purchase the 2010 Series A Bonds if:

(1) between the date hereof and the time of Closing, (A) legislation shall be enacted or be considered actively for enactment by the Congress, or recommended to the Congress for passage by the President of the United States, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation has been referred for consideration, or a decision by a court of the United States or by the United States Tax Court shall be rendered, or a ruling, regulation, proposed regulation, temporary regulation or official release or statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or any other governmental agency shall be made or proposed to be made with respect to Federal taxation upon revenues or other income of the general character of those to be derived by the Issuer from operation of its System, or upon interest on obligations of the general character of the 2010 Series A Bonds, or (B) any other action or event shall have transpired which may (1) have the purpose or effect, directly or indirectly, of adversely affecting the Federal income tax consequences of any of the transactions contemplated hereby, including without limitation in the reasonable judgment of the Underwriter, materially adversely affect the market price or marketability of the 2010 Series A Bonds,

or the market prices or marketability generally of obligations of the general character of the 2010 Series A Bonds, or

(2) there shall exist any event which in the reasonable judgment of the Underwriter either (A) makes untrue or incorrect in any material respect any statement or information contained in the Preliminary Official Statement or the Official Statement or (B) requires the making of any additional statement so that the statements and information set forth in the Preliminary Official Statement and/or the Official Statement shall not be misleading in any material respect, or

(3) between the date hereof and the time of Closing, there shall have occurred any outbreak of hostilities or other national or international calamity or crisis, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market price or the marketability of the 2010 Series A Bonds, or

(4) there shall be in force a general suspension of trading on the New York Stock Exchange or the fixing of maximum or minimum prices for trading on said Exchange, or

(5) there shall have occurred a financial crisis or a default with respect to the debt obligations of, or the institution of proceedings under the Federal bankruptcy laws or West Virginia receivership law by or against, any political subdivision, agency or instrumentality of the State of West Virginia (the effect of which being, in the reasonable judgment of the Underwriter, to make it impracticable for the Underwriter to market the 2010 Series A Bonds or to enforce contracts for the sale of the 2010 Series A Bonds), or

(6) a general banking moratorium shall have been declared by either Federal, West Virginia or New York authorities, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially and adversely affect the market price or the marketability of the 2010 Series A Bonds, or

(7) a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission shall be issued or made to the effect that the issuance, offering or sale of the 2010 Series A Bonds, or of obligations of the general character of the 2010 Series A Bonds as contemplated hereby, is in violation of any provision of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended, or

(8) any state "blue sky" or securities commission shall have withheld registration, exemption, or clearance of the offering of the 2010 Series A Bonds, and in the reasonable judgment of the Underwriter, the market for the 2010 Series A Bonds is materially adversely affected thereby, or

(9) a supplement or amendment shall have been made to the Official Statement subsequent to the date hereof which describes any materially adverse change in the affairs of the Issuer not disclosed in the Official Statement and in the Preliminary Official Statement,



(c) At the Closing, the Underwriter shall receive the following documents, in such number of counterparts as may be mutually agreeable to the Underwriter and the Issuer:

(1) the approving opinion of Bond Counsel, dated the Closing Date, addressed to the Issuer, together with a reliance letter to the Underwriter relating to the due authorization, execution, delivery, validity and tax-exempt status of the interest on the 2010 Series A Bonds for Federal and West Virginia income tax purposes, in form and substance satisfactory to the Underwriter;

(2) a supplemental opinion of Bond Counsel, dated the Closing Date, addressed to the Issuer and the Underwriter, to the effect that:

(i) The statements contained in the Official Statement under the headings "INTRODUCTION," "SOURCES AND USES OF FUNDS," "THE 2010 SERIES A BONDS", "SECURITY FOR THE 2010 SERIES A BONDS", "TAX MATTERS", "CONTINUING DISCLOSURE" and in Appendix C and Appendix D except for financial or statistical data therein as to which no opinion is hereby expressed, thereto insofar as such statements purport to summarize certain provisions of the 2010 Series A Bonds or the Resolution are true, correct and complete in all material respects and present a fair summary of the matters intended to be summarized therein; and

(ii) No registration of the 2010 Series A Bonds under the Securities Act of 1933, as amended, or qualification of the Resolution under the Trust Indenture Act of 1939, as amended, is required in connection with the offer and sale of the 2010 Series A Bonds.

(3) (Reserved);

(4) (Reserved);

(5) an opinion, dated the Closing Date, addressed to the Underwriter, of Underwriter's Counsel, to the effect that the 2010 Series A Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and that the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; in addition, such counsel shall state in its letter containing the foregoing opinion, or in a separate letter, dated the Closing Date, that, without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the sole basis of its conferences with representatives of the Issuer, Bond Counsel and the Underwriter, and its examination of the Bond Documents, nothing has come to its attention that would lead it to believe (excluding therefrom all information in Appendix A, all financial and statistical data and projections included in the Official Statement, including the entirety of Appendix B and all information concerning the Deposit Trust Company and the book-entry only system for the 2010 Series A Bonds, on which it expresses no opinion) that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(6) a certificate of the Issuer, dated the Closing Date, to the effect that the

representations and warranties made by the Issuer in this Bond Purchase Agreement are true and correct in all material respects on and as of the Closing Date as if made on and as of the Closing Date;

(7) (Reserved);

(8) executed counterparts of the Tax Certificate;

(9) a certified copy of the resolution(s) of the Issuer authorizing the execution and delivery of the 2010 Series A Bonds and the Bond Documents, the execution and use of the Official Statement and the use of the Preliminary Official Statement and a certificate of the Issuer, dated the Closing Date to the effect that said resolution(s) have not been modified, amended or repealed;

(10) a certificate of the Issuer, dated the Closing Date, to the effect that no litigation or proceeding is pending, or to its knowledge, threatened in any court or by or before any administrative body contesting the due organization or valid existence of the Issuer or the validity, due authorization or execution of the 2010 Series A Bonds, the Official Statement or this Bond Purchase Agreement, or use of either the Preliminary Official Statement or the Official Statement;

(11) a specimen 2010 Series A Bond for each Series;

(12) a Preliminary Official Statement dated \_\_\_\_\_, 2010, and an Official Statement dated the date of this Bond Purchase Agreement;

(13) (Reserved);

(14) a Continuing Disclosure Certificate by the Issuer;

(15) a certificate dated the date of Closing signed by an authorized officer of the Registrar in form and substance acceptable to the Underwriter and their counsel;

(16) such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter, or counsel to the Underwriter, or Bond Counsel may reasonably request to evidence compliance by the Issuer with legal requirements, the truth and accuracy, as of the time of Closing, of their respective representations herein contained and due performance or satisfaction by the Issuer at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by such parties.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter contained in this Bond Purchase Agreement or if the obligations of the Underwriter to purchase and accept delivery of the 2010 Series A Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and none of the Underwriter or the Issuer shall be under any further obligation hereunder; provided, however, that the respective obligations to indemnify, as provided in Section 10 hereof, and to pay expenses, as provided in Section 11 hereof, shall continue in full force and effect; and provided, further, that the Underwriter may, in its discretion, waive one or more of the conditions imposed by this Bond Purchase Agreement for the protection of the Underwriter and proceed with the Closing.

9. All representations, warranties and agreements of the Issuer contained herein shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the Closing.

10. (a) To the extent allowed by law, the Issuer hereby agrees to indemnify and hold harmless the Underwriter and each person, if any, who is an officer or employee of any Underwriter or who controls the Underwriter within the meaning of the Securities Act of 1933, as amended, and Underwriter Counsel (the "Indemnified Parties"), against any and all losses, claims, damages, liabilities and expenses (or actions in respect thereof) that arise out of or are based upon any untrue statement or alleged untrue statement of any material fact as set forth in the Official Statement or the Preliminary Official Statement (except with respect to the Underwriter, for information under the heading "Underwriting"), or arise out of or are based upon the omission or alleged omission therefrom of any statement or information necessary to make the statements therein not misleading including, without limitation, the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or alleged untrue statement or omission or alleged omission if such settlement is effected with the written consent of the Issuer and the Issuer will reimburse any legal or other expenses reasonably incurred by any such Indemnified Party in connection with investigating or defending any such loss, claim, damage, liability or action. The Issuer will assume the defense of any action against any Indemnified Party based upon allegations of any such loss, claim, damage, liability or action, including the retaining of counsel satisfactory to the Indemnified Party and the payment of counsel fees and all other expenses relating to such defense; provided, however, that any Indemnified Party may retain separate counsel in any such action and may participate in the defense thereof at the expense of such Indemnified Party unless such retaining of separate counsel has been specifically authorized by the Issuer; provided further, that if any Indemnified Party shall have been advised by counsel that there may be legal defenses available to such Indemnified Party which are different from or additional to those available to the Issuer, then the Issuer shall not have the right to assume the defense of such action on behalf of such Indemnified Party, and in such event the said fees and expenses of the Indemnified Party in defending such action shall be borne by such party. The indemnity agreement contained in this Section will be in addition to any liability which the Issuer may otherwise have and shall survive any termination of this Bond Purchase Agreement, the offering and sale of the Bonds and the payment or provision for payment of the Bonds.

(b) Promptly after receipt by an Indemnified Party of notice of the commencement of any action, such Indemnified Party will, if a claim in respect thereof is to be made against the Issuer under this Section, notify the Issuer of the commencement thereof, and thereupon the Issuer (i) will assume the defense thereof if and as required under this Section or (ii) if not required to assume such defense, will be entitled to participate in, and to the extent that they may wish, to assume the defense thereof, with counsel satisfactory to such Indemnified Party, except as otherwise provided in the preceding paragraph. After notice from the Issuer to such Indemnified Party of its assumption of the defense thereof, the Issuer will not be liable to such Indemnified Party under this Section for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation and except as otherwise provided in the preceding paragraph.

(c) In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in subsections (a) and (b) of this Section 10 is for any reason held to be unavailable to the Underwriter, other than in accordance with the terms of such subsections, the Issuer and the Underwriter shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Issuer and the Underwriter, in such proportions that the Issuer is responsible for that portion represented by the percentage that the underwriting discount appearing under the heading "Underwriting" in the Official

Statements bears to the initial public offering price appearing thereon and that the Issuer is responsible for the balance; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act of 1933, as amended), shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this subsection (c), each person, if any, who controls any Underwriter within the meaning of Section 15 of the Securities Act of 1933, as amended, shall have the same rights to contribution as the Underwriter, and each trustee of the Issuer, each officer of the Issuer who signs the Official Statement and each person, if any, who controls the Issuer within the meaning of Section 15 of the Securities Act of 1933, as amended, shall have the same rights to contribution as the Issuer.

(d) The Issuer deems the Preliminary Official Statement final as of its date except for the omission of the offering prices, interest rates, sources and uses, selling prices, selling compensation, aggregate principal amounts, delivery dates, and other terms depending on such matters, and ratifies and approves the prior distribution of the Preliminary Official Statement by the Underwriter. The Issuer authorizes the Official Statement, and the information therein contained, to be used in connection with the public offering and sale of the 2010 Series A Bonds and represents that the Official Statement will be complete as of the date of its delivery to the Underwriter. If between the date hereof and the 90th day following the end of the underwriting period for the 2010 Series A Bonds (within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934), any event shall occur which would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and if in the opinion of the Issuer or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Issuer will cooperate to cause the Official Statement to be amended or supplemented in a form approved by the Underwriter and the Issuer shall bear the reasonable cost of such amendment or supplementation (to the extent the same is not paid from 2010 Series A Bond proceeds). The Underwriter shall, upon the written request of the Issuer, inform the Issuer whether the underwriting period for the 2010 Series A Bonds has ended and, if so, the date on which the underwriting period for the 2010 Series A Bonds ended.

11. (a) All expenses and costs of the Issuer incident to the performance of its obligations in connection with the authorization, issuance, sale and delivery of the 2010 Series A Bonds to the Underwriter, including, but not limited to, the costs of printing of the 2010 Series A Bonds and the typing, printing and distribution of the Preliminary Official Statement and the Official Statement, bond insurance, if any, the fees of consultants and rating agencies, CUSIP Service Bureau charges, the initial fees of the Registrar and its counsel, printing costs, filing fees, and the fees and expenses of Bond Counsel, Underwriter Counsel and the Issuer's counsel in connection with the issuance of the 2010 Series A Bonds other than those set forth in subsection (b) of this Section 11, shall be paid from the proceeds of the 2010 Series A Bonds, to the extent available, and otherwise by the Issuer.

(b) The Underwriter shall pay all of their expenses including, but not limited to: (i) computer expenses, (ii) clearance charges, (iii) Municipal Securities Rulemaking Board fees, (iv) travel, closing and related expenses, and (v) the cost of Federal or other funds.

12. The Issuer agrees to cooperate reasonably with the Underwriter in any endeavor to qualify the 2010 Series A Bonds for offering and sale under the securities or "blue sky" laws of such jurisdictions of the United States as the Underwriter may request, and the Issuer shall, with respect to the offer or sale of the 2010 Series A Bonds file written consent to service of process in any jurisdiction in which such consent may be required by law or regulation so that the 2010 Series A Bonds may be offered or sold.

During the offering period and for a period not exceeding 90 days after the Closing Date, so long as the Underwriter is offering any of the 2010 Series A Bonds the Issuer will not adopt any proposed amendment of or supplement to the Official Statement to which, after having been furnished a copy, the Underwriter shall reasonably object in writing or which shall be reasonably disapproved by Underwriter Counsel or Bond Counsel.

13. ALL REPRESENTATIONS, WARRANTIES, COVENANTS, OBLIGATIONS AND AGREEMENTS OF THE ISSUER CONTAINED IN THIS BOND PURCHASE AGREEMENT SHALL NOT CREATE ANY GENERAL OBLIGATION OR LIABILITY OF THE ISSUER. ANY OBLIGATION OR LIABILITY OF THE ISSUER HEREUNDER SHALL BE LIMITED TO THOSE SOURCES PLEDGED FOR THE PAYMENT OF PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON THE 2010 SERIES A BONDS.

14. Any notice or other communication to be given to the Issuer under this Bond Purchase Agreement may be given by delivering the same in writing to its address set forth above, and any notice or other communication to be given to (i) the Underwriter may be given by delivering the same in writing to Crews & Associates, Inc., 2000 Union National Plaza, 124 West Capitol, Little Rock, Arkansas, 72201, Attention: Rush W. Harding, III.

15. This Bond Purchase Agreement may be executed in any number of counterparts, each of which so executed and delivered shall constitute an original and all together shall constitute but one and the same instrument. Each party to this Bond Purchase Agreement may execute separate signature pages, and upon such execution and delivery shall constitute one and the same instrument.

16. This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of West Virginia.

[Remainder of Page Intentionally Left Blank – Signature Page to Follow]

Very truly yours,  
CREWS & ASSOCIATES, INC.,

By: \_\_\_\_\_  
Authorized Representative

Accepted and agreed to as of the date first written above:

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA)

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT A**

**Maturities**

**Maturity Date**  
**(December 1)**

**Principal Amount**

**Interest Rate**

**Optional Redemption**

[Insert Following Pricing]

**Mandatory Sinking Fund Redemption**

[Insert Following Pricing]

# EXHIBIT E



Continuing Disclosure Agreement

**CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (the "Agreement") is by and between Jefferson County Public Service District (the "Issuer"), and The Bank of New York Mellon (the "Dissemination Agent"), in connection with the issuance of \$ \_\_\_\_\_ Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "Bonds"). The Bonds are being issued pursuant to the Resolution adopted by the Board of the Issuer on April 6, 2010 (the "Resolution") and the Certificate of Determinations executed and delivered by the Issuer on \_\_\_\_\_, 2010 (the "Certificate of Determinations"). The Issuer and Dissemination Agent covenant and agree as follows:

**SECTION 1. Purpose of Agreement.** The Agreement is being executed and delivered by the Issuer and Dissemination Agent for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist Crews & Associates, Inc., as the underwriter for the Bonds (the "Underwriter") in complying with SEC Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Resolution and the Bond Purchase Agreement dated \_\_\_\_\_, 2010, by and between the Issuer and the Underwriter (the "Bond Purchase Agreement"), which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")) and operating data with respect to the Issuer, provided at least annually, of the type included in those sections of the final official statement with respect to the Bonds attached thereto as Appendix B, which Annual Financial Information shall include Audited Financial Statements if available on the Report Date, and, if not then available, unaudited financial statements.

"Audited Financial Statements" means the Issuer's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the current General Manager, Fiscal Officer or General Counsel of the Issuer.

"Dissemination Agent" shall initially mean The Bank of New York Mellon or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" means the Electronic Municipal Market Access System described in the 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of the Agreement.

"National Repository" shall mean the Municipal Securities Rulemaking Board, Washington, D.C. the sole Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, effective as of July 1, 2009.

"Participating Underwriter" shall mean the original underwriter of the Bonds who is required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and the State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of West Virginia.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of the Agreement, there is no State Repository.

### SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 365 days after the end of the Issuer's fiscal year (presently June 30) (the "Due Date"), commencing with the report for the Fiscal Year ending June 30, 2010, provide to each Repository Annual Financial Information and Audited Financial Statements, which are consistent with the requirements of Section 4 of this Agreement. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Agreement. The Issuer shall provide the Dissemination Agent with a copy of each report filed under this Agreement. If the Issuer's fiscal year changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(a). The Dissemination Agent shall send written notice to the Issuer thirty days prior to the Due Date of the Annual Financial Information and Audited Financial Statements that such information is due by the Due Date.

(b) Not later than fifteen (15) Business Days prior to the Due Date, the Issuer shall provide the Annual Financial Information and Audited Financial Statements to the Dissemination Agent. If by the Due Date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with the first sentence of this subsection (b). If the Dissemination Agent is unable to provide to the Repositories its Annual Financial Information and Audited Financial Statements by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repositories in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Due Date the name and address of each Repository; and

(ii) file a report with the Issuer certifying that the Annual Financial Information and Audited Financial Statements have been provided pursuant to the Agreement, stating the date it was provided and listing the Repositories to which it was provided.

SECTION 4. Content of Annual Financial Information. Within 365 days of the Issuer's 2010 fiscal year-end, and each subsequent fiscal year, the Dissemination Agent shall submit to each Repository information and data of the Issuer for the prior fiscal year, including the Audited Financial Statements, prepared in accordance with generally accepted accounting principles in effect from time to time.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the security;
7. modifications to rights of security holders;
8. bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the securities except as provided by the Ordinance;
11. rating changes.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of any of the Listed Events would be material under applicable federal securities laws, the Issuer shall promptly file with the Dissemination Agent a notice of such occurrence to be provided to each Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Ordinance.

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with each Repository with a copy to the Issuer. Notwithstanding the foregoing, notice of the occurrence of a Listed Event described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Ordinance.

**SECTION 6. Termination of Reporting Obligation.** The Issuer's obligations under the Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

**SECTION 7. Dissemination Agent.** The Bank of New York Mellon, is hereby appointed as Dissemination Agent. The Issuer may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist it in carrying out its obligations under the Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to the Agreement.

**SECTION 8. Amendment, Waiver.** Notwithstanding any other provision of the Agreement, the Issuer may amend the Agreement, and any provision of the Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Agreement, the Issuer shall describe such amendment in the next Annual Financial Information and Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Financial Information and Audited Financial Statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in the Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the Agreement or any other means of communication, or including any other information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events, in addition to that which is required by the Agreement. If the Issuer chooses to include any information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events in addition to that which is specifically required by the Agreement, the Issuer shall have no obligation under the Agreement to update such information or include it in any future Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the Issuer or Dissemination Agent to comply with any provision of the Agreement (and, at the request of the Original Purchaser), the Dissemination Agent may or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or Dissemination Agent to comply with its obligations under the Agreement. A default under the Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under the Agreement in the event of any failure of the Issuer or Dissemination Agent to comply with the Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and the Issuer agrees to the extent allowed by State law to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Agreement may be given as follows:

To the Issuer:

Jefferson County Public Service District  
340 Edmond Road, Suite A  
Kearneysville, WV 25430

To the Dissemination Agent:

The Bank of New York Mellon  
385 Rifle Camp Road, 3<sup>rd</sup> Floor  
Woodland Park, NJ 07424  
Attention: Corporate Trust Administration

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

**SECTION 13. Beneficiaries.** The Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**SECTION 14. Counterparts.** This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**SECTION 15. Fees.** The Issuer agrees to pay all fees and expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs, attorney's fees and other disbursements in the administration and performance of the Dissemination Agent's duties.

**SECTION 16. Right to Resign.** The Dissemination Agent may resign at any time by providing thirty (30) days' written notice to the Issuer.

**SECTION 17. Right to Counsel.** The Dissemination Agent shall have the right to consult with counsel in carrying out its duties under the Agreement and to rely upon an opinion of counsel.

[Remainder of Page Intentionally Blank]

Date: June 24, 2010

JEFFERSON COUNTY PUBLIC  
SERVICE DISTRICT

By: \_\_\_\_\_  
Its: \_\_\_\_\_

THE BANK OF NEW YORK MELLON,  
as Dissemination Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_



EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Jefferson County Public Service District (West Virginia)

Name of Issue: \$\_\_\_\_\_ Jefferson County Public Service District (West Virginia)  
Sewer Refunding Revenue Bonds, 2010 Series A

Date of Issuance: June 24, 2010

Notice is hereby given that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by its covenant made in connection with the above-referenced bond issue. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated this \_\_\_\_\_.

JEFFERSON COUNTY PUBLIC  
SERVICE DISTRICT

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT F – FORM OF PRLIMINARY OFFICIAL STATEMENT**

**[SEE THE BODY OF THIS DOCUMENT]**

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

# APPENDIX E

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is by and between Jefferson County Public Service District (the "Issuer"), and The Bank of New York Mellon (the "Dissemination Agent"), in connection with the issuance of \$1,895,000 Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "Bonds"). The Bonds are being issued pursuant to the Resolution adopted by the Board of the Issuer on April 6, 2010 (the "Resolution") and the Certificate of Determination executed and delivered by the Issuer on June 17, 2010 (the "Certificate of Determination"). The Issuer and Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of Agreement. The Agreement is being executed and delivered by the Issuer and Dissemination Agent for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist Crews & Associates, Inc., as the underwriter for the Bonds (the "Underwriter") in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution and the Bond Purchase Agreement dated June 17, 2010, by and between the Issuer and the Underwriter (the "Bond Purchase Agreement"), which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")) and operating data with respect to the Issuer, provided at least annually, of the type included in those sections of the final official statement with respect to the Bonds attached thereto as Appendix B, which Annual Financial Information shall include Audited Financial Statements if available on the Report Date, and, if not then available, unaudited financial statements.

"Audited Financial Statements" means the Issuer's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the current General Manager, Fiscal Officer or General Counsel of the Issuer.

"Dissemination Agent" shall initially mean The Bank of New York Mellon or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" means the Electronic Municipal Market Access System described in the 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of the Agreement.

"National Repository" shall mean the Municipal Securities Rulemaking Board, Washington, D.C. the sole Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, effective as of July 1, 2009.

"Participating Underwriter" shall mean the original underwriter of the Bonds who is required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and the State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of West Virginia.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of the Agreement, there is no State Repository.

### SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 365 days after the end of the Issuer's fiscal year (presently June 30) (the "Due Date"), commencing with the report for the Fiscal Year ending June 30, 2010, provide to each Repository Annual Financial Information and Audited Financial Statements, which are consistent with the requirements of Section 4 of this Agreement. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Agreement. The Issuer shall provide the Dissemination Agent with a copy of each report filed under this Agreement. If the Issuer's fiscal year changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(a). The Dissemination Agent shall send written notice to the Issuer thirty days prior to the Due Date of the Annual Financial Information and Audited Financial Statements that such information is due by the Due Date.

(b) Not later than fifteen (15) Business Days prior to the Due Date, the Issuer shall provide the Annual Financial Information and Audited Financial Statements to the Dissemination Agent. If by the Due Date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with the first sentence of this subsection (b). If the Dissemination Agent is unable to provide to the Repositories its Annual Financial Information and Audited Financial Statements by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repositories in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Due Date the name and address of each Repository; and

(ii) file a report with the Issuer certifying that the Annual Financial Information and Audited Financial Statements have been provided pursuant to the Agreement, stating the date it was provided and listing the Repositories to which it was provided.

SECTION 4. Content of Annual Financial Information. Within 365 days of the Issuer's 2010 fiscal year-end, and each subsequent fiscal year, the Dissemination Agent shall submit to each Repository information and data of the Issuer for the prior fiscal year, including the Audited Financial Statements, prepared in accordance with generally accepted accounting principles in effect from time to time.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;



5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the security;
7. modifications to rights of security holders;
8. bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the securities except as provided by the Ordinance;
11. rating changes.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of any of the Listed Events would be material under applicable federal securities laws, the Issuer shall promptly file with the Dissemination Agent a notice of such occurrence to be provided to each Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Ordinance.

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with each Repository with a copy to the Issuer. Notwithstanding the foregoing, notice of the occurrence of a Listed Event described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Ordinance.

**SECTION 6. Termination of Reporting Obligation.** The Issuer's obligations under the Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

**SECTION 7. Dissemination Agent.** The Bank of New York Mellon, is hereby appointed as Dissemination Agent. The Issuer may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist it in carrying out its obligations under the Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to the Agreement.

**SECTION 8. Amendment, Waiver.** Notwithstanding any other provision of the Agreement, the Issuer may amend the Agreement, and any provision of the Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Agreement, the Issuer shall describe such amendment in the next Annual Financial Information and Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Financial Information and Audited Financial Statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in the Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the Agreement or any other means of communication, or including any other information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events, in addition to that which is required by the Agreement. If the Issuer chooses to include any information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events in addition to that which is specifically required by the Agreement, the Issuer shall have no obligation under the Agreement to update such information or include it in any future Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the Issuer or Dissemination Agent to comply with any provision of the Agreement (and, at the request of the Original Purchaser), the Dissemination Agent may or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or Dissemination Agent to comply with its obligations under the Agreement. A default under the Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under the Agreement in the event of any failure of the Issuer or Dissemination Agent to comply with the Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and the Issuer agrees to the extent allowed by State law to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Agreement may be given as follows:

To the Issuer:

Jefferson County Public Service District  
340 Edmond Road, Suite A  
Kearneysville, WV 25430

To the Dissemination Agent:

The Bank of New York Mellon  
385 Rifle Camp Road, 3<sup>rd</sup> Floor  
Woodland Park, NJ 07424  
Attention: Corporate Trust Administration

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. The Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Fees. The Issuer agrees to pay all fees and expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs, attorney's fees and other disbursements in the administration and performance of the Dissemination Agent's duties.

SECTION 16. Right to Resign. The Dissemination Agent may resign at any time by providing thirty (30) days' written notice to the Issuer.

SECTION 17. Right to Counsel. The Dissemination Agent shall have the right to consult with counsel in carrying out its duties under the Agreement and to rely upon an opinion of counsel.

[Remainder of Page Intentionally Blank]

Date: June 24, 2010

JEFFERSON COUNTY PUBLIC  
SERVICE DISTRICT

By: \_\_\_\_\_  
Its: \_\_\_\_\_

THE BANK OF NEW YORK MELLON,  
as Dissemination Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Jefferson County Public Service District (West Virginia)  
Name of Issue: \$1,895,000 Jefferson County Public Service District (West Virginia) Sewer  
Refunding Revenue Bonds, 2010 Series A  
Date of Issuance: June 24, 2010

Notice is hereby given that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by its covenant made in connection with the above-referenced bond issue. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated this \_\_\_\_\_.

JEFFERSON COUNTY PUBLIC  
SERVICE DISTRICT

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

## **Continuing Disclosure Agreement**

### **CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (the "Agreement") is by and between Jefferson County Public Service District (the "Issuer"), and The Bank of New York Mellon (the "Dissemination Agent"), in connection with the issuance of \$1,895,000 Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "Bonds"). The Bonds are being issued pursuant to the Resolution adopted by the Board of the Issuer on April 6, 2010 (the "Resolution") and the Certificate of Determination executed and delivered by the Issuer on June 17, 2010 (the "Certificate of Determination"). The Issuer and Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of Agreement. The Agreement is being executed and delivered by the Issuer and Dissemination Agent for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist Crews & Associates, Inc., as the underwriter for the Bonds (the "Underwriter") in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution and the Bond Purchase Agreement dated June 17, 2010, by and between the Issuer and the Underwriter (the "Bond Purchase Agreement"), which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")) and operating data with respect to the Issuer, provided at least annually, of the type included in those sections of the final official statement with respect to the Bonds attached thereto as Appendix B, which Annual Financial Information shall include Audited Financial Statements if available on the Report Date, and, if not then available, unaudited financial statements.

"Audited Financial Statements" means the Issuer's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the current General Manager, Fiscal Officer or General Counsel of the Issuer.



"Dissemination Agent" shall initially mean The Bank of New York Mellon or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" means the Electronic Municipal Market Access System described in the 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of the Agreement.

"National Repository" shall mean the Municipal Securities Rulemaking Board, Washington, D.C. the sole Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, effective as of July 1, 2009.

"Participating Underwriter" shall mean the original underwriter of the Bonds who is required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and the State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of West Virginia.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of the Agreement, there is no State Repository.

### SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 365 days after the end of the Issuer's fiscal year (presently June 30) (the "Due Date"), commencing with the report for the Fiscal Year ending June 30, 2010, provide to each Repository Annual Financial Information and Audited Financial Statements, which are consistent with the requirements of Section 4 of this Agreement. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Agreement. The Issuer shall provide the Dissemination Agent with a copy of each report filed under this Agreement. If the Issuer's fiscal year changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(a). The Dissemination Agent shall send written notice to the Issuer thirty days prior to the Due Date of the Annual Financial Information and Audited Financial Statements that such information is due by the Due Date.

(b) Not later than fifteen (15) Business Days prior to the Due Date, the Issuer shall provide the Annual Financial Information and Audited Financial Statements to the Dissemination Agent. If by the Due Date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with the first sentence of this subsection (b). If the Dissemination Agent is unable to provide to the Repositories its Annual Financial Information and Audited Financial Statements by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repositories in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Due Date the name and address of each Repository; and

(ii) file a report with the Issuer certifying that the Annual Financial Information and Audited Financial Statements have been provided pursuant to the Agreement, stating the date it was provided and listing the Repositories to which it was provided.

SECTION 4. Content of Annual Financial Information. Within 365 days of the Issuer's 2010 fiscal year-end, and each subsequent fiscal year, the Dissemination Agent shall submit to each Repository information and data of the Issuer for the prior fiscal year, including the Audited Financial Statements, prepared in accordance with generally accepted accounting principles in effect from time to time.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the security;
7. modifications to rights of security holders;
8. bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the securities except as provided by the Ordinance;
11. rating changes.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of any of the Listed Events would be material under applicable federal securities laws, the Issuer shall promptly file with the Dissemination Agent a notice of such occurrence to be provided to each Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Ordinance.

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with each Repository with a copy to the Issuer. Notwithstanding the foregoing, notice of the occurrence of a Listed Event described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Ordinance.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under the Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

SECTION 7. Dissemination Agent. The Bank of New York Mellon, is hereby appointed as Dissemination Agent. The Issuer may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist it in carrying out its obligations under the Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to the Agreement.

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of the Agreement, the Issuer may amend the Agreement, and any provision of the Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Agreement, the Issuer shall describe such amendment in the next Annual Financial Information and Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Financial Information and Audited Financial Statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in the Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the Agreement or any other means of communication, or including any other information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events, in addition to that which is required by the Agreement. If the Issuer chooses to include any information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events in addition to that which is specifically required by the Agreement, the Issuer shall have no obligation under the Agreement to update such information or include it in any future Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the Issuer or Dissemination Agent to comply with any provision of the Agreement (and, at the request of the Original Purchaser), the Dissemination Agent may or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or Dissemination Agent to comply with its obligations under the Agreement. A default under the Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under the Agreement in the event of any failure of the Issuer or Dissemination Agent to comply with the Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and the Issuer agrees to the extent allowed by State law to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Agreement may be given as follows:

To the Issuer:

Jefferson County Public Service District  
340 Edmond Road, Suite A  
Kearneysville, WV 25430

To the Dissemination Agent:

The Bank of New York Mellon  
385 Rifle Camp Road, 3<sup>rd</sup> Floor  
Woodland Park, NJ 07424  
Attention: Corporate Trust Administration

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. The Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Fees. The Issuer agrees to pay all fees and expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs, attorney's fees and other disbursements in the administration and performance of the Dissemination Agent's duties.

SECTION 16. Right to Resign. The Dissemination Agent may resign at any time by providing thirty (30) days' written notice to the Issuer.

SECTION 17. Right to Counsel. The Dissemination Agent shall have the right to consult with counsel in carrying out its duties under the Agreement and to rely upon an opinion of counsel.

[Remainder of Page Intentionally Blank]

Dated as of the date first stated above.

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

By: Pete L. Martin  
Its: Treasurer

THE BANK OF NEW YORK MELLON,  
as Dissemination Agent

By: [Signature]  
Its: Vice President

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Jefferson County Public Service District (West Virginia)  
Name of Issue: \$1,895,000 Jefferson County Public Service District (West Virginia) Sewer  
Refunding Revenue Bonds, 2010 Series A  
Date of Issuance: June 24, 2010

Notice is hereby given that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by its covenant made in connection with the above-referenced bond issue. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated this \_\_\_\_\_.

JEFFERSON COUNTY PUBLIC  
SERVICE DISTRICT

By: \_\_\_\_\_  
Its: \_\_\_\_\_



[Reserved]

# Specimen

*Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co. has an interest herein.*

No. AR-1

\$240,000.00

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

| <u>INTEREST RATE</u> | <u>MATURITY DATE</u> | <u>BOND DATE</u> | <u>CUSIP NO.</u> |
|----------------------|----------------------|------------------|------------------|
| 3.000%               | October 1, 2013      | June 24, 2010    | 473671AN5        |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO HUNDRED FORTY THOUSAND AND 00/100 DOLLARS  
(\$240,000.00)

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on April 1 and October 1, in each year, beginning October 1, 2010 (each an "Interest Payment Date"), until

maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalization terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each March 15 and September 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by The Bank of New York Mellon, Woodland Park, New Jersey, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least \$500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of \$1,895,000 designated "Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated June 24, 2010, the proceeds of which are to be used, together with other funds of the Issuer, (i) to currently refund all of the Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, of the Issuer outstanding in the total aggregate principal amount of \$1,885,000 (the "Bonds to be Refunded"). The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on April 6, 2010, as supplemented by the supplemental resolution adopted by the Issuer on June 18, 2010 (collectively, the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the Office of the Issuer.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF THE SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING SEWER REVENUE BONDS OF THE ISSUER: (I) SEWER REVENUE BONDS, SERIES 1988B, DATED MAY 5, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$425,767 (THE "SERIES 1988B BONDS"), (II) SEWER REVENUE BONDS, SERIES 1993A (WEST VIRGINIA SRF PROGRAM), DATED NOVEMBER 10, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$971,000 (THE "SERIES 1993A BONDS"), (III) SEWER REVENUE BONDS, SERIES 1998B (WEST VIRGINIA SRF PROGRAM), DATED JUNE 25, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$599,089 (THE "SERIES 1998B BONDS"), (IV) SEWER REVENUE BONDS, SERIES 1998C (WEST VIRGINIA INFRASTRUCTURE FUND), DATED JUNE 25, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$662,039 (THE "SERIES 1998C BONDS"), (V) SEWER REVENUE BONDS, SERIES 1999A (WEST VIRGINIA SRF PROGRAM), DATED DECEMBER 8, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$378,363 (THE "SERIES 1999A BONDS"), (VI) SEWER REVENUE BONDS, SERIES 2000A (WEST VIRGINIA SRF PROGRAM), DATED JUNE 22, 2000, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,154,889 (THE "SERIES 2000A BONDS"), AND (VII) SEWER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA SRF PROGRAM), DATED JUNE 18, 2008, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$2,005,000 (THE "SERIES 2008A BONDS," AND COLLECTIVELY WITH THE SERIES 1988B BONDS, THE SERIES 1993A BONDS, THE SERIES 1998B BONDS, THE SERIES 1998C BONDS, THE SERIES 1999A BONDS, THE SERIES 2000A BONDS AND THE SERIES 2008 A BONDS, THE "PRIOR BONDS"). THE PRIOR BONDS ARE PAYABLE FROM AND SECURED BY NET REVENUES OF THE SYSTEM.

The Issuer also has outstanding its Refunding Sewerage System Bond Anticipation Notes, Series 2010, dated January 6, 2010, issued in the aggregate principal amount of \$750,000. The Notes are payable only from and secured by a first lien on (i) the proceeds of revenue bonds or other obligations of the Issuer to be issued subsequent to the issuance of the Notes to permanently finance the costs of certain additions, betterments, improvements and extensions to the existing public sewerage facilities of the Issuer (the "Project"); (ii) the proceeds of any grants received by the Issuer for the Project, and (iii) the Surplus Revenues, if any, of the System. The Notes are subordinate in all respects to the Prior Bonds.

The Bonds of this issue are subject to redemption prior to their stated Maturity Dates, as provided in the Resolution and Certificate of Determination, as set forth in the following lettered paragraphs:

### **Optional Redemption**

The 2010 Series A Bonds are not subject to optional redemption prior to October 1, 2015. At the option of the District, the 2010 Series A Bonds will be subject to redemption prior to maturity on and after October 1, 2015, as a whole at any time and in part on any Interest Payment Date, in inverse order of maturity and by random selection within maturities if less than all of any

maturity, at a redemption price equal to the principal amount being redeemed, plus interest accrued to the date fixed for redemption.

### **Mandatory Sinking Fund Redemption**

The 2010 Series A Bonds maturing October 1, 2013, October 1, 2017, October 1, 2019, October 1, 2021, October 1, 2023, October 1, 2025 and October 1, 2028, are subject to mandatory redemption prior to their stated Maturity Date, in part, from payments deposited in the 2010 Series A Bonds Redemption Account, on October 1 in the years set forth below. The redemption price will be 100% of the principal amount of the 2010 Series A Bonds to be so redeemed plus accrued interest, if any, to the redemption date. On the following dates, such maturity of 2010 Series A Bonds shall be redeemed or paid in the amounts set forth opposite each such date:

#### Maturing October 1, 2013\*

| Year | Principal Amount |
|------|------------------|
| 2011 | \$80,000         |
| 2012 | \$80,000         |
| 2013 | \$80,000         |

#### Maturing October 1, 2017\*

| Year | Principal Amount |
|------|------------------|
| 2014 | \$85,000         |
| 2015 | \$85,000         |
| 2016 | \$90,000         |
| 2017 | \$95,000         |

#### Maturing October 1, 2019\*

| Year | Principal Amount |
|------|------------------|
| 2018 | \$95,000         |
| 2019 | \$100,000        |

Maturing October 1, 2021\*

| Year | Principal Amount |
|------|------------------|
| 2020 | \$105,000        |
| 2021 | 110,000          |

Maturing October 1, 2023\*

| Year | Principal Amount |
|------|------------------|
| 2022 | \$110,000        |
| 2023 | \$115,000        |

Maturing October 1, 2025\*

| Year | Principal Amount |
|------|------------------|
| 2024 | \$120,000        |
| 2025 | \$125,000        |

Maturing October 1, 2028\*

| Year | Principal Amount |
|------|------------------|
| 2026 | \$135,000        |
| 2027 | \$140,000        |
| 2028 | \$145,000        |

\*Denotes final maturity

In the event of any redemption of less than all outstanding Bonds, Bonds shall be selected for redemption by lot or in such other manner deemed appropriate by the Paying Agent. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registrar or at such other address as is furnished in writing by such Registered Owner to the Registrar. A copy of such notice of redemption shall also be mailed to the Registrar. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Bond.

This Bond is payable from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and senior and prior to the Notes, and from moneys in the reserve account created under the Resolution for the Bonds (the "2010 Series A Bonds Reserve Account") and unexpected proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the 2010 Series A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Prior Bonds. Additional parity bonds may be issued under the conditions and within the limitations set forth in the Resolution.

All moneys received from the sale of this Bond except for accrued interest thereon shall be applied solely to refund the Bonds to be Refunded, fund the 2010 Series A Bonds Reserve Account for the Bonds, and pay costs of issuance thereof, and there shall be, and hereby is, created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into

said special fund by said Issuer for the prompt payment of the principal of and interest on the Bonds of which this Bond is one.

This Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Resolution.

This Bond, together with the interest thereon, is under the Act exempt from taxation by the State of West Virginia, and the other taxing bodies of the State.

This Bond has been designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication and registration thereon shall have been signed by the Registrar.

All provisions of the Resolution and the statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

[THIS PAGE INTENTIONALLY LEFT BLANK – SIGNATURES FOLLOW]



IN WITNESS WHEREOF, JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA) has caused this bond to be signed by its Acting Chairman, and its corporate seal to be imprinted hereon and attested by its Secretary, and has caused this Bond to be dated, as of the Bond Date specified above.

[SEAL]



Acting Chairman

*[Signature]*  
Specimen

ATTEST:

Secretary

*[Signature]*  
Specimen

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the fully registered Bonds described in the written-mentioned Resolution and has been duly registered in the name of the Registered Owner on the date set forth below.

Dated: June 24, 2010.

THE BANK OF NEW YORK MELLON,  
as Registrar

By:  specimen

Its: Authorized Officer

ASSIGNMENT

Social Security or Other Identifying Number of Assignee \_\_\_\_\_

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_ the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_

\_\_\_\_\_ to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_, \_\_\_\_\_

SIGNATURE GUARANTEED:

\_\_\_\_\_  
(Bank, Trust Company or Firm)

\_\_\_\_\_  
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

*Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co. has an interest herein.*

No. AR-2

\$355,000.00

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

| <u>INTEREST RATE</u> | <u>MATURITY DATE</u> | <u>BOND DATE</u> | <u>CUSIP NO.</u> |
|----------------------|----------------------|------------------|------------------|
| 3.500%               | October 1, 2017      | June 24, 2010    | 473671AP0        |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE HUNDRED FIFTY-FIVE THOUSAND AND 00/100  
DOLLARS (\$355,000.00)

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on April 1 and October 1, in each year, beginning October 1, 2010 (each an "Interest Payment Date"), until

*Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co. has an interest herein.*

No. AR-3

\$195,000.00

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

| <u>INTEREST RATE</u> | <u>MATURITY DATE</u> | <u>BOND DATE</u> | <u>CUSIP NO.</u> |
|----------------------|----------------------|------------------|------------------|
| 3.750%               | October 1, 2019      | June 24, 2010    | 473671AQ8        |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED NINETY-FIVE THOUSAND AND 00/100  
DOLLARS (\$195,000.00)

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on April 1 and October 1, in each year, beginning October 1, 2010 (each an "Interest Payment Date"), until

*Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co. has an interest herein.*

No. AR-4

\$215,000.00

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

| <u>INTEREST RATE</u> | <u>MATURITY DATE</u> | <u>BOND DATE</u> | <u>CUSIP NO.</u> |
|----------------------|----------------------|------------------|------------------|
| 4.000%               | October 1, 2021      | June 24, 2010    | 473671AR6        |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO HUNDRED FIFTEEN THOUSAND AND 00/100 DOLLARS  
(\$215,000.00)

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on April 1 and October 1, in each year, beginning October 1, 2010 (each an "Interest Payment Date"), until

*Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co. has an interest herein.*

No. AR-5

\$225,000.00

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

| <u>INTEREST RATE</u> | <u>MATURITY DATE</u> | <u>BOND DATE</u> | <u>CUSIP NO.</u> |
|----------------------|----------------------|------------------|------------------|
| 4.100%               | October 1, 2023      | June 24, 2010    | 473671AS4        |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO HUNDRED TWENTY-FIVE THOUSAND AND 00/100  
DOLLARS (\$225,000.00)

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on April 1 and October 1, in each year, beginning October 1, 2010 (each an "Interest Payment Date"), until

*Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co. has an interest herein.*

No. AR-6

\$245,000.00

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

| <u>INTEREST RATE</u> | <u>MATURITY DATE</u> | <u>BOND DATE</u> | <u>CUSIP NO.</u> |
|----------------------|----------------------|------------------|------------------|
| 4.375%               | October 1, 2025      | June 24, 2010    | 473671AT2        |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO HUNDRED FORTY-FIVE THOUSAND AND 00/100  
DOLLARS (\$245,000.00)

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on April 1 and October 1, in each year, beginning October 1, 2010 (each an "Interest Payment Date"), until



*Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co. has an interest herein.*

No. AR-7

\$420,000.00

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

| <u>INTEREST RATE</u> | <u>MATURITY DATE</u> | <u>BOND DATE</u> | <u>CUSIP NO.</u> |
|----------------------|----------------------|------------------|------------------|
| 4.375%               | October 1, 2028      | June 24, 2010    | 473671AU9        |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FOUR HUNDRED TWENTY THOUSAND AND 00/100 DOLLARS  
(\$420,000.00)

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on April 1 and October 1, in each year, beginning October 1, 2010 (each an "Interest Payment Date"), until



SPILMAN THOMAS & BATTLE, PLLC  
ATTORNEYS AT LAW

July 12, 2010

John F. Allevato  
304.340.3885  
jallevato@spilmanlaw.com

**CERTIFIED MAIL 7008 2810 0002 1175 8077**  
**RETURN RECEIPT REQUESTED**

Internal Revenue Service  
Ogden, UT 84201

Re: Jefferson County Public Service District Sewer Refunding Revenue  
Bonds, 2010 Series A

Dear Sir or Madam:

Enclosed are two copies of Form 8038, Information Return for Tax-Exempt Private Activity Bond Issues, relative to the above-described bond issue. Please file one copy and return one copy mark "Filed" to the undersigned in the enclosed self-addressed envelope.

If you have any questions, please do not hesitate to contact me.

Very truly yours,



John F. Allevato

JFA:cb2-2260124  
Enclosures

**Information Return for Tax-Exempt Governmental Obligations**

► Under Internal Revenue Code section 149(e)

► See separate instructions.

OMB No. 1545-0720

Caution: If the issue price is under \$100,000, use Form 8038-GC.

**Part I Reporting Authority**

If Amended Return, check here ► ☐

|                                                                                                                                    |                                                                                   |                                    |
|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------|
| 1 Issuer's name<br><b>Jefferson County Public Service District</b>                                                                 | 2 Issuer's employer identification number<br><b>55 0662529</b>                    |                                    |
| 3 Number and street (or P.O. box if mail is not delivered to street address)<br><b>340 Edmond Road, Suite A</b>                    | Room/suite                                                                        | 4 Report number<br><b>3 2010-2</b> |
| 5 City, town, or post office, state, and ZIP code<br><b>Kearneysville, West Virginia 25430</b>                                     | 6 Date of issue<br><b>June 24, 2010</b>                                           |                                    |
| 7 Name of issue<br><b>Sewer Refunding Revenue Bonds, 2010 Series A</b>                                                             | 8 CUSIP number<br><b>473671AU9</b>                                                |                                    |
| 9 Name and title of officer or legal representative whom the IRS may call for more information<br><b>John F. Allevato, Esquire</b> | 10 Telephone number of officer or legal representative<br><b>( 304 ) 340-3885</b> |                                    |

**Part II Type of Issue (check applicable box(es) and enter the issue price)** See instructions and attach schedule

|                                                                                                                                        |                 |
|----------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 11 <input type="checkbox"/> Education                                                                                                  | 11              |
| 12 <input type="checkbox"/> Health and hospital                                                                                        | 12              |
| 13 <input type="checkbox"/> Transportation                                                                                             | 13              |
| 14 <input type="checkbox"/> Public safety                                                                                              | 14              |
| 15 <input checked="" type="checkbox"/> Environment (including sewage bonds)                                                            | 15 1,884,381.95 |
| 16 <input type="checkbox"/> Housing                                                                                                    | 16              |
| 17 <input type="checkbox"/> Utilities                                                                                                  | 17              |
| 18 <input type="checkbox"/> Other. Describe ►                                                                                          | 18              |
| 19 If obligations are TANs or RANs, check box ► <input type="checkbox"/> If obligations are BANs, check box ► <input type="checkbox"/> |                 |
| 20 If obligations are in the form of a lease or installment sale, check box ► <input type="checkbox"/>                                 |                 |

**Part III Description of Obligations. Complete for the entire issue for which this form is being filed.**

|    | (a) Final maturity date | (b) Issue price | (c) Stated redemption price at maturity | (d) Weighted average maturity | (e) Yield   |
|----|-------------------------|-----------------|-----------------------------------------|-------------------------------|-------------|
| 21 | October 1, 2028         | \$ 1,884,381.95 | \$ 1,895,000                            | 10.738 years                  | 4.1569751 % |

**Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)**

|                                                                                             |    |              |
|---------------------------------------------------------------------------------------------|----|--------------|
| 22 Proceeds used for accrued interest                                                       | 22 | 0            |
| 23 Issue price of entire issue (enter amount from line 21, column (b))                      | 23 | 1,884,381.95 |
| 24 Proceeds used for bond issuance costs (including underwriters' discount)                 | 24 | 85,634.68    |
| 25 Proceeds used for credit enhancement                                                     | 25 | 0            |
| 26 Proceeds allocated to reasonably required reserve or replacement fund                    | 26 | 153,856.26   |
| 27 Proceeds used to currently refund prior issues                                           | 27 | 1,644,891.01 |
| 28 Proceeds used to advance refund prior issues                                             | 28 | 0            |
| 29 Total (add lines 24 through 28)                                                          | 29 | 1,884,381.95 |
| 30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here) | 30 | 0            |

**Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)**

|                                                                                        |                   |
|----------------------------------------------------------------------------------------|-------------------|
| 31 Enter the remaining weighted average maturity of the bonds to be currently refunded | 10.773 years      |
| 32 Enter the remaining weighted average maturity of the bonds to be advance refunded   | 0 years           |
| 33 Enter the last date on which the refunded bonds will be called                      | June 25, 2010     |
| 34 Enter the date(s) the refunded bonds were issued                                    | February 15, 1998 |

**Part VI Miscellaneous**

|                                                                                                                                                                                   |     |                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-------------------------------------|
| 35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)                                                                                        | 35  | 0                                   |
| 36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)                                                          | 36a | 0                                   |
| b Enter the final maturity date of the guaranteed investment contract ►                                                                                                           |     |                                     |
| 37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units                                                                      | 37a | 0                                   |
| b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ► <input type="checkbox"/> and enter the name of the issuer ► and the date of the issue ► |     |                                     |
| 38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box                                                                  |     | <input checked="" type="checkbox"/> |
| 39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box                                                                                              |     | <input type="checkbox"/>            |
| 40 If the issuer has identified a hedge, check box                                                                                                                                |     | <input type="checkbox"/>            |

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Sign Here

  
Signature of issuer's authorized representative

6/14/2010  
Date

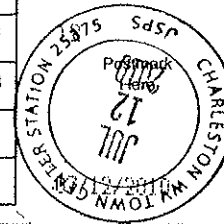
James D. Cummins, Secretary  
Type or print name and title

**U.S. Postal Service™**  
**CERTIFIED MAIL™ RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at [www.usps.com](http://www.usps.com)

**OFFICIAL USE**

|                                                   |    |        |
|---------------------------------------------------|----|--------|
| Postage                                           | \$ | \$1.05 |
| Certified Fee                                     |    | \$2.80 |
| Return Receipt Fee<br>(Endorsement Required)      |    | \$2.30 |
| Restricted Delivery Fee<br>(Endorsement Required) |    | \$0.00 |
| Total Postage & Fees                              | \$ | \$6.15 |



Sent To

Street, Apt. No.,  
or PO Box No.  
City, State, ZIP+4

Internal Revenue Service  
Ogden, UT 84201

PS Form 3800, August 2006

See Reverse for Instructions

7008 2810 0002 1175 8077

\$1,895,000  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

CROSS RECEIPT FOR BONDS AND BOND PROCEEDS

On this the 24<sup>th</sup> day of June, 2010, the undersigned, Gregory Isaacs, Senior Managing Director of Crews & Associates, Inc. (the "Underwriter"), for and on behalf of the Underwriter, and James D. Cummins, Secretary of Jefferson County Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the 24<sup>th</sup> day of June, 2010, in New York, New York, the Underwriter received the entire original issue of \$1,895,000 in aggregate principal amount of the Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "Bonds"). The Bonds are so received on original issuance, are in various denominations, are dated June 24, 2010, and are numbered from AR-1 upward in order of maturity, and are registered in the name of "CEDE & CO."

2. At the time of such receipt of the Bonds, they had been executed by Peter L. Appignani, Acting Chairman of the Issuer by his manual signature, and the official seal of the Issuer had been impressed upon each Bond and attested by James D. Cummins, as Secretary of the Issuer by his manual signature, and had been authenticated by The Bank of New York Mellon, as Registrar.

3. The Issuer has received and hereby acknowledges receipt from the Underwriter, as the original purchaser of the Bonds, proceeds of the Bonds as follows:

|                               |                  |
|-------------------------------|------------------|
| Par Amount                    | \$1,895,000.00   |
| Less: Original Issue Discount | ( 10,618.05)     |
| Less: Underwriter's Discount  | <u>47,375.00</u> |
| Total                         | \$1,837,006.95   |

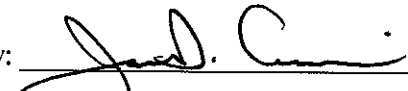
Payment for the Bonds was made in immediately available funds (federal funds wire) in the amount of \$1,837,006.95.

WITNESS our respective signatures on the date first written above.

CREWS & ASSOCIATES, INC.

By:   
Its: Senior Managing Director

JEFFERSON COUNTY PUBLIC SERVICE  
DISTRICT

By:   
Its: Secretary

## **SCHEDULE A**

### **2010 SERIES A BOND TERMS**

|           |         |                                            |                     |
|-----------|---------|--------------------------------------------|---------------------|
| \$240,000 | 3.000%  | Term Bonds due October 1, 2013 at 100.000% | CUSIP No. 473671AN5 |
| \$355,000 | 3.500%  | Term Bonds due October 1, 2017 at 100.000% | CUSIP No. 473671APO |
| \$195,000 | 3.750%  | Term Bonds due October 1, 2019 at 100.000% | CUSIP No. 473671AQ8 |
| \$215,000 | 4.000%  | Term Bonds due October 1, 2021 at 100.000% | CUSIP No. 473671AR6 |
| \$225,000 | 4.100%  | Term Bonds due October 1, 2023 at 98.485%  | CUSIP No. 473671AS4 |
| \$245,000 | 4.375%  | Term Bonds due October 1, 2025 at 99.718%  | CUSIP No. 473671AT2 |
| \$420,000 | 4.375 % | Term Bonds due October 1, 2028 at 98.448%  | CUSIP No. 473671AU9 |

#### **Optional Redemption**

The 2010 Series A Bonds are not subject to optional redemption prior to October 1, 2015. At the option of the District, the 2010 Series A Bonds will be subject to redemption prior to maturity on and after October 1, 2015, as a whole at any time and in part on any Interest Payment Date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price equal to the principal amount being redeemed, plus interest accrued to the date fixed for redemption.

#### **Mandatory Sinking Fund Redemption**

The 2010 Series A Bonds maturing October 1, 2013, October 1, 2017, October 1, 2019, October 1, 2021, October 1, 2023, October 1, 2025 and October 1, 2028, are subject to mandatory redemption prior to their stated Maturity Date, in part, from payments deposited in the 2010 Series A Bonds Redemption Account, on October 1 in the years set forth below. The redemption price will be 100% of the principal amount of the 2010 Series A Bonds to be so redeemed plus accrued interest, if any, to the redemption date. On the following dates, such maturity of 2010 Series A Bonds shall be redeemed or paid in the amounts set forth opposite each such date:

#### **Maturing October 1, 2013**

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2011        | \$80,000                |
| 2012        | \$80,000                |
| 2013        | \$80,000                |

#### **Maturing October 1, 2017**

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2014        | \$85,000                |
| 2015        | \$85,000                |
| 2016        | \$90,000                |
| 2017        | \$95,000                |

Maturing October 1, 2019

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2018        | \$95,000                |
| 2019        | \$100,000               |

Maturing October 1, 2021

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2020        | \$105,000               |
| 2021        | \$110,000               |

Maturing October 1, 2023

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2022        | \$110,000               |
| 2023        | \$115,000               |

Maturing October 1, 2025

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2024        | \$120,000               |
| 2025        | \$125,000               |

Maturing October 1, 2028\*

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2026        | \$135,000               |
| 2027        | \$140,000               |
| 2028        | \$145,000               |

---

\*Denotes final maturity



State of West Virginia, County of Jefferson, Sct.

Clerk's Office of the County Commission of Jefferson County, at Charles Town, in said State, exercising Probate Jurisdiction.

I, JOHN E. OTT, Clerk of said Commission having by law the custody of the seal, and all papers, books, documents and papers of or pertaining to said Commission, hereby certify the paper hereto annexed to be a true copy appertaining to said Commission and on file and of record in said office, to-wit:

These minutes from the Regular Term meeting of the County Commission of Jefferson County was held on February 24, 1983 and was recorded in the Law Order Book W, at Page 195.

In attestation whereof I have hereunto set my hand and affixed the seal of said Commission

this 26th day of

November, A. D., 19 97

John E. Ott

REGULAR TERM: (Board of Equalization and Review)

FEBRUARY 22,

State of West Virginia, County of Jefferson, to-wit:

The session of the Board of Equalization and Review, continued and held at the Courthouse thereof Tuesday, February 22, 1983, beginning at 1:30 o'clock P.M.

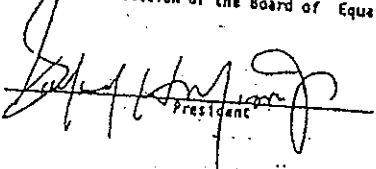
PRESENT: Garland H. Moore, Jr., President;  
Charles B. Clendening, III; Henry M. Snyder, Jr.;  
Gary L. Phalen; Robert D. Ott, Commissioners.

In re: PETITION BY 84 LUMBER COMPANY - BY ROBERT WILLINGHAM, AGENT FOR M. F. POER & CO. - NO CHANGE IN ASSESSMENT  
Motion by Snyder, second by Phalen to inform Mr. Robert Willingham, Agent for M. F. Poer & Co., on behalf of 84 Lumber Company, that the Board determined that there be no change in assessment of the 4.139 Acres Shann

In re: PETITION BY GUILFORD TURNER - DECREASE IN ASSESSMENT MADE  
Motion by Phalen, second by Ott to inform Mr. Guilford Turner that upon review of the Two Acres, Mt. that the 1983 assessed value of property be decreased to \$1,000.00. Motion carried.

In re: COMPUTER SOFTWARE BID AWARDED - AUTOMATION COUNSELORS, INC.  
Motion by Snyder, second by Ott to authorize the President of the Commission to sign the contract with Automation Counselors, Inc. for the provision of electronic data processing software, as this proposal provide Commission with the necessary equipment within an acceptable time span and at the lowest overall cost to the C Motion carried.

Upon rising, the Board adjourned, to meet again on in 1984 at the next session of the Board of Equalization and Review.

  
President

REGULAR TERM:

FEBRUARY 24, 1983

State of West Virginia, County of Jefferson, to-wit:

At a Regular Term of the County Commission of said County and State, continued and held at the Courthouse thereof on Thursday, March 24, 1983, beginning at 9:30 o'clock A.M.

PRESENT: Garland H. Moore, Jr., President;  
Charles B. Clendening, III; Henry M. Snyder, Jr.;  
Gary L. Phalen; Robert D. Ott, Commissioners.

In re: SURPLUS TAX REFUND  
Motion by Ott, second by Snyder to approve the following Surplus Tax Refund. Motion carried.

SURPLUS TAX REFUND

It appearing that on the 9th day of November, 1981, the Sheriff of said County, at a tax sale of Delinquent Lands, sold for delinquent and unpaid real estate taxes for the year of 1980 Parcel(s) of land assessed on the Tax Records of Jefferson County, WV, as 1 Lt. 1, Sec. 1, 710 Hidden River, Middleway District, Jefferson County, West Virginia; that at the time of said tax sale the taxes were charged to Glenn R. and Rosella T. Logan; that at the time of said sale the taxes, interest and charges thereon were \$41.70; that as a result of said sale there is a plus of \$1,258.30 in excess of the taxes, interest, and charges due thereon.

Therefore it is ordered, in pursuance of Chapter 11A, Article 3, Section 37 of the West Virginia Code of 1931, as amended, that the Sheriff of Jefferson County, WV, do pay to Glenn R. and Rosella T. Logan the sum of \$1,258.30, that being the surplus paid to the Sheriff at said tax sale.

Enter this 24th day of February, 1983.

In re: BIDS RECEIVED - REPRODUCTION OF COUNTY CLERK'S RECORD BOOKS - HULTMAN AND AUTOMATION INDUSTRIES, INC.  
Motion by Phalen, second by Snyder to accept for review and comparison the following bids for the reproduction of record books in the County Clerk's Office. Motion carried.

Hultman - 31,016 pages @ \$.33 per page = \$10,235.00

Yltra - 1) Microfilm, electrostatic prints, binding - \$.223

2) Binders - \$105.00 Each

3) Director 18" X 24" Electrostatic Prints from Oversize Plates = \$1.25 Each

In re: PRE-AUTHORIZATION OF CHECKS FOR CRUISERS, UPON ARRIVAL

Upon request of the Sheriff, motion by Snyder, second by Clendening to authorize the President of the Commission to sign a check for the purchase of two Sheriff's Department cruisers (previously approved), upon their arrival. Motion carried.

In re: PUBLIC HEARING SCHEDULED FOR PROPOSED JEFFERSON COUNTY PUBLIC SERVICE DISTRICT - ORDER APPROVED  
Motion by Phalen, second by Clendening to adopt the following Order and to advertise for a public hearing scheduled for Thursday, March 31, 1983 at 7:00 P.M. in the County Courtroom for the purpose of establishing a Jefferson County Public Service District. Motion carried.

ORDER

The County Commission of Jefferson County, West Virginia, is of the opinion that in order to preserve the public health, comfort and convenience of the general public of Jefferson County, West Virginia, do hereby propose the creation of a public service district for the purpose of providing sewage service for the general public within Jefferson County, West Virginia, as authorized by Chapter 16, Article 13A of the West Virginia Code, as amended, to be known as the Jefferson County Public Service District.

That the territory to be embraced by the proposed District shall be all land within the boundaries of Jefferson County, West Virginia, less however, those sewage authorities within any incorporated municipality within the County, unless the governing body of any such municipality shall adopt a resolution consenting to be included within the proposed public sewer district, and that area covered by the existing public service district of Mary Ferry-Bolivar Public Service District presently authorized to operate sewage service in Jefferson County; provided however, that any of the public sewage service districts presently authorized to operate in Jefferson County, but not presently furnishing sewage services, may become a part of the area to be serviced by this proposed Public Sewage Service District.

Further, it is the desire of the Jefferson County Commission to proceed as soon as possible to comply with the laws of the State of West Virginia in creating the Jefferson County Public Service District and it is ORDERED that a public hearing be held on the 31st day of March, 1983, at 7:00 o'clock P.M. at the Jefferson County Courthouse and that notice of such public hearing be published as provided by law.

In re: LIST OF COUNTY-OWNED EQUIPMENT TO EMERGENCY SERVICES ADVISORY COUNCIL

Upon request of the Emergency Services Advisory Council, motion by Ott, second by Clendening to furnish the Emergency Services Advisory Council with a list of all County-owned equipment that could possibly be used by Emergency Services during an emergency situation. Motion carried.

In re: NOTARY APPLICATION AND BOND APPROVED - MARGIE S. JOHNSTON

Upon the application of Margie S. Johnston as a Notary Public in and for the County of Jefferson, it was shown to the satisfaction of this Commission that said Applicant is a resident of said County, that she is competent to perform the duties of such office, that she is a person of good moral character, and that she has posted bond taken the oath of office as required by law.

Motion by Phalen, second by Snyder to approve the Notary Application and Bond for Margie S. Johnston. Motion carried.

In re: FAIR ASSOCIATION REQUEST - FAIRGROUNDS

Upon request of the Jefferson County Fair Association, the Commission agreed to give the Fair Association first consideration if and when any additional land is requested by some other organization or individual to the immediate west of the Fairgrounds.

In re: MELLON BANK, N.A. - PAYMENT AUTHORIZED - FEES AND EXPENSES INCURRED FROM REVENUE BOND ISSUE

Upon motion of the Court, the Commission approved and ordered payment to Mellon Bank, N.A. for fees and expenses incurred in servicing the Jefferson County, W.V. Residential Mortgage Revenue Bonds, 1980 Series A, payable in the amount of \$5,308.09, to be made from funds presently held by Mellon Bank in an account established for this purpose.

In re: MAINTENANCE AGREEMENT ON LEXTRIEVER CARD FILE IN ASSESSOR'S OFFICE

Motion by Clendening, second by Ott to approve the mechanical maintenance agreement on the Lextriever Series 80 card file in the Assessor's Office for the period 3/4/83 through 3/4/84 in the amount of \$379.96. Motion carried.

In re: TURNKEY JAMES CARBONE TO ATTEND JAILERS' TRAINING SCHOOL

Upon request of the Sheriff, motion by Phalen, second by Ott to authorize Turnkey James Carbone to attend the Jailers' Training School at the Huttonsville Corrections Facility for a six-week period beginning March 7, 1983 at a cost of \$150.00, plus traveling expenses. Motion carried.

In re: DEPUTY SHERIFFS' REQUEST FOR PAY INCREASES

The Jefferson County Deputy Sheriffs appeared before the Commission with a written request for consideration of a \$1.00 per hour across-the-board pay increase for their department. The Commission accepted their written request for consideration.

In re: BID RECEIVED - REPLACEMENT CONSOLE AT EMERGENCY HEADQUARTERS - MOTOROLA, INC.

Motion by Clendening, second by Ott to receive for review a bid in the amount of \$45,760.00 from Motorola Inc. for a new console at Emergency Headquarters. Motion carried.

State of West Virginia, County of Jefferson, Sct.

Clerk's Office of the County Commission of Jefferson County, at Charles Town, in said State, exercising Probate Jurisdiction.

I, JOHN E. OTT, Clerk of said Commission having by law the custody of the seal, and all papers, books, documents and papers of or pertaining to said Commission, hereby certify the paper hereto annexed to be a true copy appertaining to said Commission and on file and of record in said office, to-wit:

These minutes from the Regular Term meeting of the County Commission of Jefferson County was held on December 1, 1983 and was recorded in the Law Order Book W, at Page 397.

In attestation whereof I have hereunto set my hand and affixed the seal of said Commission

this 26th day of

November, A. D., 1987

*John E. Ott*

Upon rising, Commission adjourned, to meet again on Thursday morning next at 9:30 o'clock A.M.

*[Signature]*  
PRESIDENT

DECEMBER 1, 1983

REGULAR TERM

State of West Virginia, County of Jefferson, to-wit:

At a Regular Term of the County Commission of said County and State, continued and held at the Courthouse thereof on Thursday, December 1, 1983, beginning at 9:30 o'clock A.M.

PRESENT: Garland H. Moore, Jr., President;  
Charles B. Clendering, III; Henry H. Snyder, Jr.;  
Robert D. Ott; Commissioners.

In re: SURPLUS TAX REFUNDS

Motion by Snyder, second by Clendering to approve the following Surplus Tax Refunds. Motion carried.

SURPLUS TAX REFUND

It appearing that on the 14th day of November, 1983, the Sheriff of said County, at a tax sale of delinquent lands, sold for delinquent and unpaid state taxes for the year 1982 a parcel of land assessed in the tax records of Jefferson County, West Virginia as, 1 lot No. 8, Woodbury, Middleway District, Jefferson County West Virginia; that at the time of said tax sale the taxes were charged to James J. McGrath and Juanita M. McGrath; that at said tax sale Francis Dale Duncan was purchaser of said real estate for a purchase price of \$490.00; that at the time of said sale the taxes, interest and charges thereon were \$477.57; that as a result of said sale thereon there is a surplus of \$12.43 in excess of the taxes, interest and charges due thereon.

Further, it appearing to the Commission, that since said sale James J. McGrath and Juanita M. McGrath's interest in and to the said property was sold to John S. Morris.

Thereupon it is ordered, in pursuance of Chapter 11A, Article 3, Section 37 of the West Virginia Code of 1931, as amended, that the Sheriff of Jefferson County, West Virginia do pay to John S. Morris, the sum of \$12.43, that being the surplus paid to the Sheriff at said tax sale.

Entered this 1st day of December, 1983.

SURPLUS TAX REFUND

It appearing that on the 14th day of November, 1983, the Sheriff of said County, at a tax sale of delinquent lands, sold for delinquent and unpaid state taxes for the year 1982 a parcel of land assessed in the tax records of Jefferson County, West Virginia as, Lot 17, Woodland Park Subdivision, Charles Town District, Jefferson County, West Virginia; that at the time of said tax sale the taxes were charged to Elaine and Titus Hagy; that at said tax sale Mickey Duncan was purchaser of said real estate for a purchase price of \$200.00; that at the time of said sale the taxes, interest and charges thereon were \$83.41; that as a result of said sale thereon there is a surplus of \$116.59 in excess of the taxes, interest and charges due thereon.

Further, it appearing to the Commission, that since said sale Elaine and Titus Hagy's interest in and to the said property was sold to Mary Ellen Longen.

Thereupon it is ordered, in pursuance of Chapter 11A, Article 3, Section 37 of the West Virginia Code of 1931, as amended, that the Sheriff of Jefferson County, West Virginia do pay to Mary Ellen Longen, the sum of \$116.59, that being the surplus paid to the Sheriff at said tax sale.

Entered this 1st day of December, 1983.

In re: ORDER ADOPTED - JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Motion by Clendering, second by Ott to adopt the following Order for the creation of the Jefferson County Public Service District. Motion carried.

IN THE COUNTY COMMISSION OF JEFFERSON COUNTY, WEST VIRGINIA

IN THE MATTER OF:

Creation of the Jefferson County Public Service District

ORDER

Having upon its own motion entered an Order on February 24, 1983, proposing the creation of the Jefferson County Public Service District and setting forth a description of such sufficient to identify said district and further having provided public notice in compliance with Chapter 16, Article 13A, Section 2 and having held the public hearing required therein; the County Commission of Jefferson County does, upon consideration of the testimony and evidence produced before it, find the creation of a public service district feasible, convenient, and conducive to the preservation of the public health and convenience. Therefore, it is ORDERED that a public service district be created in Jefferson County under the provisions of 16-13A-1 et. seq. of the West Virginia Code of 1931, as amended, to encompass and include the following:

All land within the boundaries of Jefferson County, West Virginia, less however, those sewage authorities within any incorporated municipality with the County unless the governing body of any such

municipality shall adopt a resolution consenting to be included within the proposed public service district and that area covered by the existing public service district of Harpers Ferry-Bollivar Public Service District presently authorized to operate in Jefferson County; provided, however, that any of the public sewage service districts presently authorized to operate in Jefferson County, but not presently furnishing sewage services may become a part of the area to be serviced by this Public Sewage Service District.

It is further ORDERED that the public service district shall be known as the "JEFFERSON COUNTY PUBLIC SERVICE DISTRICT", and that it shall possess the powers and privileges granted to public service districts by virtue of the provisions of the West Virginia Code.

In re: BOND CLOSING HELD FOR OAKRIDGE ASSOCIATES - FINAL RESOLUTION ADOPTED

The Bond Closing for Oakridge Associates was held this day at 10:30 A.M. in the County Courtroom Motion by Clendering, second by Ott to adopt the following Final Resolution authorizing the issuance and sale of \$330,000 Jefferson County, West Virginia Industrial Development Revenue Bonds for Oakridge Associates for the purpose of financing the acquisition, construction and equipping of a commercial project. Motion carried.

RESOLUTION OF THE  
COUNTY COMMISSION OF  
JEFFERSON COUNTY, WEST VIRGINIA  
AUTHORIZING THE ISSUANCE  
AND SALE OF

\$330,000 JEFFERSON COUNTY, WEST VIRGINIA  
INDUSTRIAL DEVELOPMENT REVENUE BOND  
OAKRIDGE ASSOCIATES  
SERIES 1983

Adopted December 1, 1983

TABLE OF CONTENTS

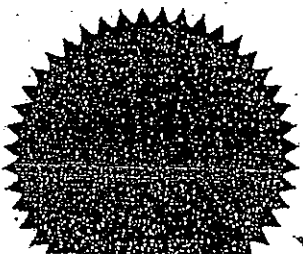
|                                                                                                 | <u>Page</u> |
|-------------------------------------------------------------------------------------------------|-------------|
| Recitals                                                                                        | 1           |
| Form of Bond                                                                                    | 3           |
| <br><u>ARTICLE I</u><br><u>Definitions and Rules of Construction</u>                            |             |
| Section 101.                                                                                    | 6           |
| Section 102.                                                                                    | 10          |
| <br><u>ARTICLE II</u><br><u>Authorization, Execution, Registration and DELIVERY OF THE BOND</u> |             |
| Section 201.                                                                                    | 10          |
| Section 202.                                                                                    | 10          |
| Section 203.                                                                                    | 11          |
| Section 204.                                                                                    | 11          |
| Section 205.                                                                                    | 11          |
| Section 206.                                                                                    | 12          |
| Section 207.                                                                                    | 12          |
| Section 208.                                                                                    | 13          |
| Section 209.                                                                                    | 13          |
| Section 210.                                                                                    | 14          |
| Section 211.                                                                                    | 14          |
| <br><u>ARTICLE III</u><br><u>PREPAYMENT OF THE BOND</u>                                         |             |
| Section 301.                                                                                    | 15          |
| Section 302.                                                                                    | 15          |
| <br><u>ARTICLE IV</u><br><u>General Covenants and Provisions</u>                                |             |
| Section 401.                                                                                    | 16          |
| Section 402.                                                                                    | 16          |
| Section 403.                                                                                    | 16          |

State of West Virginia, County of Jefferson, Sct.

Clerk's Office of the County Commission of Jefferson County, at Charles Town, in said State, exercising Probate Jurisdiction.

I, JOHN E. OTT, Clerk of said Commission having by law the custody of the seal, and all papers, books, documents and papers of or pertaining to said Commission, hereby certify the paper hereto annexed to be a true copy appertaining to said Commission and on file and of record in said office, to-wit:

These minutes from the Regular Term meeting of the County Commission of Jefferson County was held on January 21, 1988 and was recorded in the Law Order Book Y, at Page 210.



In attestation whereof I have hereunto set my hand and affixed the seal of said Commission

this 26th day of  
November, A. D., 19 97

Clerk of said Commission

P.O. #18188

277.63

Butterkrust Baking Company - Food  
for December

PLANNING COMMISSION:

P.O. #18180

1,180.00

Davis, Renn & Shrader, Inc. -  
Engineering Services - 10/25-11/29

P.O. #18181

219.00

Pifer Office Supply - 1 Executive  
Swivel Chair

SHERIFF'S LAW OFFICE:

P.O. #18172

2,369.30

Jail Fees for December

P.O. #18190

230.50

Roy's Glass - Windshield for Jimmy

SHERIFF'S TAX OFFICE:

P.O. #18201

181.87

Jefferson Publishing Company, Inc.  
- Listing of Real Estate Sold

Upon rising, Commission adjourned to meet again on Thursday morning  
next at 9:30 o'clock A.M.

*[Signature]*  
PRESIDENT

REGULAR TERM:

State of West Virginia, County of Jefferson, to-wit:

At a Regular Term of the County Commission of said County and State,  
continued and held at the Courthouse thereof on Thursday, January 21, 1988,  
beginning at 9:30 o'clock A.M.

**PRESENT:** Garland H. Moore, Jr., President;  
Charles H. Strider, Jr.; Charles B. Clendening;  
Henry W. Morrow; R. Gregory Lance; Commissioners.

**In re: DISPENSE WITH READING OF MINUTES**  
Motion by Lance, second by Strider to dispense with the reading of the  
Minutes for the meeting held on Thursday, January 14, 1988 and to approve the  
Minutes, as prepared. Motion carried.

**In re: RESIGNATION ACCEPTED - BONNIE CARROLL - BOLIVAR-HARPERS FERRY LIBRARY  
BOARD**  
Motion by Clendening, second by Strider to accept, with regret, the  
resignation of Bonnie Carroll from the Bolivar-Harpers Ferry Library Board,  
effective February 2, 1988, and that a letter of appreciation be directed to  
Mrs. Carroll. Motion carried.

**In re: APPOINTMENT APPROVED - CAROLYN WATSON - BOLIVAR-HARPERS FERRY LIBRARY  
BOARD**  
Upon recommendation of the Bolivar-Harpers Ferry Library Board, motion  
by Lance, second by Clendening to approve the appointment of Carolyn Watson to  
the Bolivar-Harpers Ferry Library Board for the remainder of a five (5) year  
term, expiring December 31, 1988. Motion carried.

**In re: PURCHASE OF SURPLUS PROPERTY APPROVED**  
Motion by Lance, second by Clendening to approve the purchase of a  
1977 communications van and a 400 gallon insulated water tank from the West  
Virginia Agency for Surplus Property. Motion carried.

**In re: PUBLIC HEARING HELD - PROPOSED AMENDMENT IN SCOPE OF ACTIVITIES FOR  
THE JEFFERSON COUNTY PUBLIC SERVICE DISTRICT TO ALLOW FOR PROVISION OF  
WATER**  
The Commission conducted a Public Hearing at 11:00 a.m. for the  
purpose of amending the scope of activities of the Jefferson County Public  
Service District to allow for the provision of water. Comments were received  
from those in attendance.



In re: DECISION TO AMEND THE SCOPE OF ACTIVITIES FOR THE JEFFERSON COUNTY PUBLIC SERVICE DISTRICT TO ALLOW FOR THE PROVISION OF WATER  
Upon consideration of comments received from the public, motion by Lance, second by Strider to adopt the following Resolution amending the scope of activities for the Jefferson County Public Service District to allow for the provision of water. Motion carried.

IN THE COUNTY COMMISSION OF JEFFERSON COUNTY, WEST VIRGINIA

IN THE MATTER OF:  
Amendment of scope of Activities of the Jefferson County Public Service District.

ORDER

Having upon its own motion entered an Order on December 24, 1987, proposing the amendment of the scope of activities of the Jefferson County Public Service District for the purpose of allowing for the provision of public water as provided for in Chapter 18, Article 13A, of the West Virginia Code, as amended, and having provided public notice in compliance with Chapter 18, Article 13A, Section 2, and having held the public hearing required therein; the County Commission of Jefferson County does, upon consideration of the testimony and evidence produced before it find the amendment proposed feasible, convenient, and conducive to the preservation of the public health and convenience. Therefore, it is ORDERED that the activities of the Jefferson County Public Service District be amended to allow for the provision of water within the current boundaries of the District and to provide authority for the District to do all those things necessary and incidental to diverting, developing, pumping, impounding, treating, storing, distributing, or furnishing water to or for the public for industrial, public, private, or other uses as provided for by Chapter 18, Article 13A of the West Virginia Code, as amended. Provided, however, that no authorization or authority provided herein shall be so construed so as to permit or allow the Public Service District to unduly interfere in the current efforts of the City of Charles Town to improve and increase the availability of public water by constructing a water intake on the Shenandoah River or to pay for the same by providing service to customers currently residing within the District.

In re: BI-ANNUAL VOTER REGISTRATION

Upon a request made by John E. Ott, County Clerk, motion by Clendening, second by Strider to forgo the bi-annual house to house voter registration and substitute post card voter registration, special courthouse hours, proper notice by publication, and the placement of post-card registration forms at County Libraries and U.S. Post Offices. Motion carried.

The Commission received a map identifying boundaries of Summit Point for the establishment of a Dog Leash Law. The Commission directed the County Administrator to clarify and identify the boundaries and to secure an adequate description of said area to be filed in the Jefferson County Clerk's Office.

The Commission directed the County Administrator to prepare a letter to Judge Thomas Steptow, Jr. requesting authorization to pay two-thirds of the amount for the replacement of the boiler in the County Building from the Magistrate Court Fund.

President Moore provided the Commission with an update on the Governor's Conference on Health and Disease Promotion which he attended in Charleston.

The Commission received the following information:-

A reminder of the Ranson Flood Study Meeting scheduled for Tuesday, January 26, 1988, at 7:00 p.m., at Ranson Elementary School.

A reminder of a Public Hearing regarding Shenandoah Wood Products scheduled for Wednesday, January 27, 1988, at 7:00 p.m., in the Circuit Courtroom.

Development Authority Minutes for their meetings held on December 17, 1987, December 22, 1987, and January 4, 1988.

A Racing Commission Check for interest earned during the period of October 1, 1987 through December 31, 1987, in the amount of \$62.25.

A Planning Commission Regular Meeting Notice for Tuesday, January 26, 1988, at 7:30 p.m.

|                       |          |                                                                                                                             |
|-----------------------|----------|-----------------------------------------------------------------------------------------------------------------------------|
| P.O. #18216           | 5,938.62 | Ridge Fire Company                                                                                                          |
| P.O. #18223           | 1,890.00 | Automation Counselors - Various.<br>Past Due Invoices                                                                       |
| P.O. #18224           | 1,937.10 | William K. Jones, Consulting<br>Hydrologist - Services - Ground<br>Water Study - 10/10-12/26                                |
| P.O. #18229           | 100.00   | General Telephone - Local Service<br>1/13-2/13 & Long Distance Charges<br>for Month of December                             |
| P.O. #18235           | 1,272.60 | Worthless Check Fund - Services<br>Rendered for January                                                                     |
|                       |          | Gilbert L. Hall, Esquire -<br>Professional Services - Commission<br>vs. Giardina - 11/17-12/18                              |
| COURTHOUSE:           |          |                                                                                                                             |
| P.O. #18217           | 136.84   | Whitmore Lumber Company -<br>Installation of Sump Pump                                                                      |
| JAIL:                 |          |                                                                                                                             |
| P.O. #18193           | 654.80   | Frederick Produce Company - Food<br>for December                                                                            |
| P.O. #18194           | 228.29   | Shenandoah Pride Dairy - Food for<br>December                                                                               |
| P.O. #18195           | 107.96   | Cline's Egg Farm - Food for<br>December                                                                                     |
| P.O. #18196           | 737.56   | Shenandoah Foods - Food for<br>December                                                                                     |
| P.O. #18199           | 324.78   | Bob Barker Company - Shaving Cream,<br>Soap, Toothpaste, & Socks                                                            |
| SHERIFF'S LAW OFFICE: |          |                                                                                                                             |
| P.O. #18215           | 147.67   | Stuck & Alger-Pharmacy - Supplies<br>for December                                                                           |
| P.O. #18215           | 181.90   | Art's Auto & Truck Repair -<br>Emergency Repair to 1985 Dodge &<br>Inspection, Lube, Oil Change, &<br>Check Fluids on Jimmy |
| P.O. #18225           | 3,750.00 | Mineral County Commission - Housing<br>of Prisoners for December (5<br>Prisoners)                                           |

Upon rising, Commission adjourned to meet again on Thursday morning  
next at 9:30 o'clock A.M.

*[Signature]*  
PRESIDENT

State of West Virginia, County of Jefferson, Sct.

Clerk's Office of the County Commission of Jefferson County, at Charles Town, in said State, exercising Probate Jurisdiction.

I, JOHN E. OTT, Clerk of said Commission having by law the custody of the seal, and all papers, books, documents and papers of or pertaining to said Commission, hereby certify the paper hereto annexed to be a true copy appertaining to said Commission and on file and of record in said office, to-wit:

These minutes from the Regular Term meeting of the County Commission of Jefferson County was held on February 25, 1988 and was recorded in the Law Order Book Y, at Page 229.

In attestation whereof I have hereunto set my hand and affixed the seal of said Commission

this 26th day of

November A. D., 19 97

PRESENT: Garland H. Moore, Jr., President;  
Charles B. Clendenning; Charles H. Strider, Jr.;  
Henry W. Morrow; Commissioners.

Commissioner Moore reviewed the Real Estate Book A-Z for Middleway District.

Commissioner Clendenning reviewed the Real Estate Book A-Z for Harpers Ferry District and Soliver Corporation.

Commissioner Morrow reviewed the Real Estate Book A-Z and Personal Property Book A-Z for Shepherdstown District.

Commissioner Strider reviewed the Real Estate Book A-Z for Kabetown District.

No applications being presented to the Board, the Board adjourned to meet again on Tuesday afternoon next at 1:20 o'clock P.M. for the Board of Equalization and Review.

*[Signature]*  
PRESIDENT

#### REGULAR TERM:

State of West Virginia, County of Jefferson, to-wit:

At a Regular Term of the County Commission of said County and State, continued and held at the Courthouse thereof on Thursday, February 23, 1988, beginning at 9:30 o'clock A.M.

PRESENT: Garland H. Moore, Jr., President;  
Charles B. Clendenning; Charles H. Strider, Jr.;  
Henry W. Morrow; R. Gregory Lance; Commissioners.

In re: DISPENSE WITH READING OF MINUTES  
Motion by Clendenning, second by Lance to dispense with the reading of the Minutes for the meetings held on Thursday, February 18, 1988 and Tuesday, February 23, 1988. Motion carried.

In re: REAPPRAISAL AGREEMENTS APPROVED  
Motion by Morrow, second by Clendenning to approve the following Reappraisal Agreements submitted by the Assessor for the Commission's approval on Thursday, February 18, 1988. Motion carried.

| NAME:           | DISTRICT:     | MAP: | PARCEL: | SUFFIX: |
|-----------------|---------------|------|---------|---------|
| Nancy Anderson  | Kabetown      | 6    | 10      |         |
| Frank B. Brown  | Kabetown      | 6J   | 100     |         |
| Donald Cogswell | Harpers Ferry | 6L   | 73      |         |
| Donald Cogswell | Harpers Ferry | 6L   | 74      |         |
| Charles Duke    | Kabetown      | 6F   | 116     |         |
| Charles Duke    | Kabetown      | 6F   | 117     |         |
| Mary Hahn       | Kabetown      | 6J   | 95      |         |
| Frank Moss      | Kabetown      | 6L   | 12      |         |

In re: REAPPRAISAL AGREEMENTS RECEIVED  
Upon recommendation of the Assessor, motion by Morrow, second by Lance to accept for review the following Reappraisal Agreements. Motion carried.

| NAME:            | DISTRICT:     | MAP: | PARCEL: | SUFFIX: |
|------------------|---------------|------|---------|---------|
| George Weare     | Kabetown      | 6L   | 88      |         |
| Richard Williams | Kabetown      | 6L   | 62      |         |
|                  | Harpers Ferry | 6J   | 1       |         |

In re: DECISION RENDERED - HILLBROOK CHAMBER ORCHESTRA - REQUEST FOR FUNDING  
Motion by Lance, second by Strider to deny the request from Hillbrook Chamber Orchestra for funds in the amount of \$3,000.00 to fund a Youth Concert scheduled for March 4, 1988 and to suggest that they submit a request for funding for the ensuing Fiscal Year. Motion carried.

In re: RESOLUTION ADOPTED - RESTRUCTURING OF RESIDENTIAL MORTGAGE REVENUE BONDS, SERIES 1980A  
Motion by Lance, second by Strider to consider the restructuring Resolution tabled earlier in the meeting and to approve adoption of the same. Motion carried, Commission Morrow abstained.

RESOLUTION

RESOLUTION OF THE COUNTY COMMISSION OF THE COUNTY OF JEFFERSON AUTHORIZING AND DIRECTING THE DEFEASANCE OF THE \$15,000.00 RESIDENTIAL MORTGAGE REVENUE BONDS, SERIES 1980A AND THE ISSUANCE OF COLLATERALIZED MORTGAGE OBLIGATIONS IN CONNECTION WITH THE SAID DEFEASANCE AND DESIGNATING UNDERWRITERS AND TRUSTEE IN CONNECTION WITH SUCH DEFEASANCE AND ISSUANCE.

WHEREAS, the County Commission of the County of Jefferson ("the Commission") issued its \$15,000,000 Residential Mortgage Revenue Bonds, Series 1980A ("the Bonds") and the proceeds were used to finance home mortgage loans to qualified homebuyers; and WHEREAS, the Commission has determined there may be financial benefit to the Commission for appropriation and use in any manner as may be determined by the Commission for defeasing the Bonds and issuing Collateralized Mortgage Obligations ("the Obligations"); NOW THEREFORE, BE IT RESOLVED BY THE COUNTY COMMISSION OF THE COUNTY OF JEFFERSON, WEST VIRGINIA:

Section 1. That Baker, Watts & Co., Inc. and B. C. Christopher Securities Co. are hereby designated as Underwriters to the Commission in connection with the defeasance of the Bonds and issuance of the Obligations;

Section 2. That Charleston National Bank is hereby designated Trustee in connection with the defeasance of the Bonds and issuance of the Obligations;

Section 3. That said Underwriters shall deliver to the Commission for final approval a firm offer of financial benefit together with all definitive documents, instruments and other materials prepared or caused to be prepared by the Underwriters and by Bond Counsel;

Section 4. That the provisions of this resolution are not intended to, and shall not be construed or interpreted to, either (a) obligate or authorize the expenditure of any funds or monies of Jefferson County ("the County") derived from any source whatsoever other than the proceeds derived from the defeasance of the Bonds and the issuance of the Obligations as provided for in this resolution, or (b) create any personal liability of any officer or member of the Commission or any official or employee of the County, present or future; and

Section 5. That this resolution shall take effect immediately.

In re: WATER QUALITY LEGISLATION

Motion by Lance, second by Clendening not to take a position on proposed Water Quality Legislation presented. Motion carried.

In re: DECISION RENDERED - VALIDITY OF WILL - CROWWELL HALL ESTATE

Motion by Clendening, second by Lance to declare the Will presented by Della Hall for the estate of Crowwell Hall invalid as he was not of testamentary capacity on December 1, 1987 the date of the Will. Motion carried, Commissioner Morrow abstained.

In re: DECISION RENDERED - APPOINTMENT OF EXECUTRIX - CROWWELL HALL ESTATE

Motion by Clendening, second by Lance to deny Della Hall's request for appointment as Executrix for the estate of Crowwell Hall by reason of her having been convicted of a criminal offense and to appoint Betty Braxton as the Executrix for the estate. Motion carried, Commissioner Morrow abstained.

In re: APPROVAL OF ZONING CONSULTANT CONTRACT - FOX AND ASSOCIATES, INC.

Motion by Clendening, second by Lance to authorize the President to affix his signature to the Zoning Consultant Contract with Fox and Associates, Inc. Motion carried.

In re: RESOLUTION ADOPTED - JEFFERSON COUNTY EMERGENCY OPERATING PLAN

Motion by Lance, second by Strider to adopt the following Resolution approving and implementing Jefferson County's Emergency Operating Plan: Motion carried.

JEFFERSON COUNTY EMERGENCY OPERATIONS PLAN

RESOLUTION

WHEREAS, Pursuant to the State Emergency Services Act (West Virginia Code, Chapter 15, Article 5, as amended, Jefferson County has established the Jefferson County Office of Emergency Services;

WHEREAS, the Jefferson County Office of Emergency Services is, to the limits of its capabilities, responsible for the disaster preparedness activities within Jefferson County;

WHEREAS, the Jefferson County Office of Emergency Services has established the "Jefferson County Emergency Operations Plan", which established specific organizational responsibilities and prescribes actions necessary to mitigate potential consequences to the Jefferson County populace, either manmade or natural disasters or emergencies;

WHEREAS, the "Jefferson County Emergency Operations Plan" was written to be responsive to Federal requirements contained in the Integrated Emergency Management System (IEMS) concept, and is subject to approval by the Federal Emergency Management Agency (FEMA); and that the plan will be upgraded annually to maintain a current level of preparedness and to address changing Federal, State and/or Jefferson County requirements;

NOW THEREFORE IT IS RESOLVED, ORDERED AND DETERMINED, that the County Commission does hereby approve and adopt the "Jefferson County Emergency Operations Plan", which is filed in the Office of the Jefferson County Commission at the Courthouse, Charles Town, West Virginia and which is incorporated herein by this reference.

PASSED AND ADOPTED by the County Commission of Jefferson County, State of West Virginia, this 25th day of February 1988.

In re: AUTHORIZATION FOR TRANSFER OF BURR-MCGARRY PROPERTY  
Motion by Clendenning, second by Lance to authorize the transfer of the Burr-McGarry property to the Jefferson County Development Authority and to authorize the President to affix his signature to the necessary documents to allow said transfer. Motion carried.

In re: PUBLIC HEARING HELD - MINOR BOUNDARY ADJUSTMENT - CORPORATION OF RANSON  
A Public Hearing was conducted for the purpose of receiving comments from the public regarding a request on the annexation of property located adjacent to the corporate boundaries of Ranson. There being no opposition voiced by the public, the Public Hearing was ordered closed at 11:10 a.m.

In re: APPROVAL OF PURCHASE WEAPONS - SHERIFF'S LAW OFFICE  
Motion by Clendenning second by Lance to authorize the purchase of 9mm semi-automatic weapons for the Sheriff's Law Office, in cooperation with the Deputy Sheriff's Association, contingent upon funds being available. Motion carried, Commissioner Morrow opposed.

In re: FINAL ACCOUNTING APPROVED - JAMES L. CLARK ESTATE  
Motion by Morrow, second by Clendenning to approve the Final Accounting for the estate of James L. Clark. Motion carried.

In re: REQUEST FOR SHORT-TERM LOAN APPROVED - JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
Upon a request made by the Public Service District, motion by Clendenning, second by Strider to authorize a short-term loan of not more than \$15,000.00 to the Jefferson County Public Service District, to be repaid along with funds previously provided at such time as federal and state funding is received. Motion carried.

In re: DONALD R. GIARDINA - REQUESTED TO FILE FINAL ACCOUNTINGS ON ESTATES  
Motion by Lance, second by Clendenning to direct the Prosecuting Attorney's Office to prepare a notice to be served by the Sheriff's Law Office directing Donald R. Giardina to appear before the County Commission within 10 days to present a final accounting on those committees to which he was appointed by the County Commission or to show cause why he cannot do so. Motion carried.

In re: AMENDMENT OF ORDER PREVIOUSLY ADOPTED - AMENDMENT OF SCOPE OF ACTIVITIES FOR THE JEFFERSON COUNTY PUBLIC SERVICE DISTRICT TO ALLOW FOR PROVISION OF WATER  
Motion by Clendenning, second by Strider to amend the Order entered on Thursday, January 21, 1988 allowing for the provision of water within the current boundaries of the District as follows. Motion carried. ✓

#### ORDER

Having upon its own motion entered an Order on December 24, 1987, proposing the amendment of the scope of activities of the Jefferson County Public Service District for the purpose of allowing for the provision of public water as provided for in Chapter 18, Article 13A, of the West Virginia Code, as amended, and having provided public notice in compliance with Chapter 16, Article 13A, Section 2, and having held the public hearing required therein; the County Commission of Jefferson County does, upon consideration of the

testimony and evidence produced before it find the amendment proposed feasible, convenient, and conducive to the preservation of the public health and convenience.

Therefore, it is ORDERED that the activities of the Jefferson County Public Service District be amended to allow for the provision of water within the current boundaries of the district excluding the existing and planned service area of the Charles Town Water System which presently serves Charles Town, Ranson, and Contiguous Area including the growth area as outlined in Comprehensive Study, as amended, of City of Charles Town Water Service Phase I dated December, 1986 done by Keller, Gidley, Blair & Wolfe, as shown on attached maps, and to provide authority for the District to do all those things necessary and incidental to diverting, developing, pumping, impounding, treating, storing, distributing, or furnishing water to or for the public for industrial, public, private, or other uses as provided for by Chapter 16, Article 13A of the West Virginia Code, as amended.

The Commission held Budget Discussions with the Paul Raco, Planning Director, for the Jefferson County Planning Commission; Jane K. Peters, Executive Director, and James Davis, President, for the Jefferson County Development Authority Budget.

Numerous members of public appeared before the Commission to request the Commission's support in providing funds for the operation of Jefferson County's local public libraries. Speaking on behalf of the citizens were Joyce Rudolph, Summit Point Library; Gary Moreland, Shepherdstown Library; and Mayor Paul Courtney, Bolivar Harpers-Ferry Library.

The Commission received the following information:

A request from Magistrate Court for new papers. No action was taken by the Commission, pending verification of funds in the Magistrate Court Fund.

Robert Cain, City Manager, City of Charles Town, advised the Commission that the Governor had confirmed action to award grants of \$500,000.00 each to the City of Charles Town and the Jefferson County Public Service District to assist in the planned sewage treatment and collection system.

Planning Commission Minutes for their meeting held on February 3, 1988 and a Public Hearing Notice for March 22, 1988.

Various correspondence from the Region 3 Planning and Development Council to-wit: proposed gas tax increase, review of post office projects, and the Intergovernmental Review process.

A resignation from William Bailey as Dispatcher for the Jefferson County Communications Center.

A Racing Commission Check for the period of February 1, 1988 through February 15, 1988, in the amount of \$4,258.38.

Correspondence from the Chamber of Commerce regarding the \$10,000.00 rent placed on the Saw Michaels' Farm. The Commission directed Commissioner Moore and County Administrator Ash to further discuss the matter and report back to the Commission.

Action was taken in the regular manner to approve the following Purchase Orders:

| NAME:          | AMOUNT:  | PURPOSE:                                                                                          |
|----------------|----------|---------------------------------------------------------------------------------------------------|
| CIRCUIT CLERK: |          |                                                                                                   |
| P.O. #18438    | \$226.72 | The Cott Corporation - Supplies & Computer                                                        |
| COUNTY CLERK:  |          |                                                                                                   |
| P.O. #18436    | 150.78   | Glen B. Gainer, Jr., State Auditor - Jefferson County Wards of the State for Year Ending 12/31/87 |



|                              |        |                                                                                           |
|------------------------------|--------|-------------------------------------------------------------------------------------------|
| <b>JAIL:</b>                 |        |                                                                                           |
| P.O. #18428                  | 103.00 | General Telephone - Service 2/19-3/19                                                     |
| P.O. #18433                  | 400.00 | L.R. Jackson, Jr., O.D.S. - Balance Due 4/28/87-2/11/88                                   |
| P.O. #18437                  | 194.00 | Joseph G. McCabe, M.D. - Medical Services for Inmates - Paul Hamersaleigh & Peggy Jenkins |
| <b>LANDFILL:</b>             |        |                                                                                           |
| P.O. #18420                  | 748.59 | Millville Quarry, Inc. - 143.96 Tons of Stone                                             |
| P.O. #18422                  | 393.84 | Valley Oil Company - Fuel Oil & Diesel                                                    |
| <b>MAGISTRATE COURT:</b>     |        |                                                                                           |
| P.O. #18445                  | 106.77 | General Telephone - Local Service 2/19-3/19                                               |
| P.O. #18446                  | 193.29 | General Telephone - Long Distance Charges for January                                     |
| <b>PLANNING COMMISSION:</b>  |        |                                                                                           |
| P.O. #18415                  | 460.00 | J. Michael Cassell - Professional Services \$ 340.00                                      |
| <b>SHERIFF'S LAW OFFICE:</b> |        |                                                                                           |
| P.O. #18425                  | 124.75 | Art's Auto & Truck Repair - Miscellaneous Repairs to 1983 Dodge                           |
| <b>SHERIFF'S TAX OFFICE:</b> |        |                                                                                           |
| P.O. #18424                  | 298.55 | Casto & Harris - Sheriff's Settlement Sheets & Daily Cash Record                          |

Upon rising, Commission adjourned to meet again at 1:30 o'clock P.M. as a Board of Equalization and Review.

*[Signature]*  
PRESIDENT

**REGULAR TERM:** (Board of Equalization and Review)

State of West Virginia, County of Jefferson, to-wit:

At a session of the Board of Equalization and Review, continued and held at the Courthouse thereof on Thursday, February 25, 1988, beginning at 1:30 o'clock P.M.



PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

Entered: April 22, 1988

FINAL

5-12-88

NO. 88-001-W-PC

JEFFERSON COUNTY COMMISSION

Municipal corporation,

Shelby Town, Jefferson County.

Order amending the scope of Jefferson County  
Public Service District to allow for the  
provision of water service within its  
current boundaries.

RECOMMENDED DECISION

PROCEDURE

On January 4, 1988, the Jefferson County Commission filed an order entered to amend the scope of the Jefferson County Public Service District (District or PSD) to allow for the provision of water service within the District's current boundaries and to provide authority for the District to do all those things necessary and incidental to diverting, developing, pumping, impounding, treating, storing, distributing, furnishing water to or for the public for industrial, public, domestic, or other uses, pursuant to the provisions of the West Virginia Code 16-13A-2.

On March 9, 1988, the Jefferson County Commission filed with the Commission a revised order amending the scope of the Jefferson County Public Service District water utility service area. The purpose of the revised order was to resolve a conflict which existed between the

ance areas that the PSD wished to serve and the proposed service area of the City of Charles Town. Enclosed with the amended order was a map of the proposed service area for the City of Charles Town, which included additional high growth areas contiguous to the City, and which made reference to a revised service area map contained in a study performed for the City of Charles Town pursuant to Case No. 1035 W-CN, which is currently pending before the Commission. In a Commission meeting on February 25, 1988, which reflect the amendment to the January 21, 1988, order in an attempt to resolve the conflict between the Jefferson County PSD service area and the City of Charles Town proposed service area.

By order entered on March 23, 1988, the matters involved herein were scheduled for hearing to be held in Charles Town, Jefferson County on April 6, 1988, as required by West Virginia Code §16-13A-2, regarding the addition of water utility services to those already provided for the public service district. The order of March 23, 1988, also required that the Jefferson County Commission publish a copy of the order once in a newspaper published and of general circulation in Jefferson County, making due return to the Commission of such publication prior to the day of hearing.

On April 6, 1988, the Jefferson County Commission filed a Certification of Publication with the Public Service Commission indicating that the hearing scheduled for April 6, 1988, was published on April 6, 1988 in the Spirit of Jefferson Advocate, a newspaper published and of general circulation in Jefferson County.

The hearing was held as scheduled on April 6, 1988, with David L. County Administrator, appearing on behalf of the Jefferson County Commission; Robert Cain, City Manager, appearing on behalf of the City of Charles Town; and Daniel L. Frutchey, of the Legal Division, appearing on behalf of the Commission Staff. At the hearing, Mr. Ash presented testimony on behalf of the Jefferson County Commission. No individuals appeared in protest to the petition to expand the scope of services provided by the Jefferson County PSD. At the close of hearing on April 6, 1988, the matters involved herein were submitted for decision with no parties desiring to file briefs in this proceeding.

#### DISCUSSION

The purpose of the hearing held on April 6, 1988, was to satisfy the requirements of West Virginia Code §16-13A-2, which, among other things, requires that the Public Service Commission provide a hearing in the affected county whenever an order is filed with the Public Service Commission by a county commission, creating, expanding, merging or consolidating a public service district. Upon hearing, the Public Service Commission may approve, reject or modify the order of the county commission if it finds it in the best interest of the public to do so. As noted above, only one witness presented testimony at the hearing held on April 6, 1988. David Ash, the County Administrator for Jefferson County Commission, indicated that the County Commission was attempting to work with the City of Charles Town to insure that public service was being adequately provided throughout the county. The

Commission, therefore, amended the proposed service area of the District to reflect additional areas that the City of Charles Town wished to be included (Tr., p. 8). At the conclusion of the testimony of Mr. Ash, Attorney Frutchey indicated that Commission Staff is not opposed to the expansion of the services being provided by the Jefferson County Public Service District in any way. (Tr., p. 9).

Upon consideration of the testimony presented at the hearing held on April 6, 1988, and in light of the fact that two public hearings have been held on this matter with no protests having been filed with the Jefferson County Commission or the Public Service Commission of West Virginia and with no individuals appearing at either hearing to challenge the expanded authority of Jefferson County Public Service District, the Administrative Law Judge (ALJ) is of the opinion that it is reasonable to approve the order of the Jefferson County Commission dated on January 21, 1988, and amended on February 25, 1988, which expands the authority of the Jefferson County Public Service District to provide water service within the District's existing boundaries.

#### FINDINGS OF FACT

Both the Jefferson County Commission and the Public Service Commission of West Virginia have held public hearings on expanding the services provided by the Jefferson County Public Service District to provide water service within its existing boundaries and no one appeared to protest the expanded authority at either hearing.

no written protests have been filed with the Public Service Commission regarding the expanded authority of the Jefferson County Public Service District. (See, generally, Transcript of April 6, 1988, and order filed by the Jefferson County Commission on January 21, 1988).

2. Commission Staff does not oppose the expanded authority of the Jefferson County Public Service District to provide water service throughout its service area. (Tr., p. 9).

3. Notice of the public hearing held on April 6, 1988, regarding expanded authority of the Jefferson County Public Service District was given by publication. (Certificate of Publication filed April 6,

#### CONCLUSION OF LAW

It is reasonable for the Public Service Commission to approve the order of the Jefferson County Commission entered on January 21, 1988, amended on February 25, 1988, expanding the authority of the Jefferson County Public Service District to provide water service within the District's existing boundaries since such expanded authority enable those areas to receive water service, since no public protest has been received regarding the expanded authority of the District, and since the expanded authority of the District appears to be reasonable and in the public interest.

ORDER

IT IS, THEREFORE, ORDERED that the Order of the Jefferson County Commission entered on January 21, 1988, and amended on February 25, 1988, expanding the authority of the Jefferson County Public Service District, to enable the District to provide water service within its existing boundaries, except those areas to be served by the City of Charles Town, be, and it hereby is, approved.

The Executive Secretary is hereby ordered to serve a copy of this order upon the Commission by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

Leave is hereby granted to the parties to file written exceptions supported by a brief with the Executive Secretary of the Commission within fifteen (15) days of the date this order is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served said exceptions.

If no exceptions are so filed this order shall become the order of the Commission without further action or order, five (5) days following expiration of the aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's Order by filing an appropriate petition in writing with the Secretary. No such waiver will be effective until

approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.

*Arnold O. Weiford*  
ARNOLD O. WEIFORD  
Chief Administrative Law Judge



# THE COUNTY COMMISSION OF JEFFERSON COUNTY

P.O. Box 250  
124 East Washington Street  
Charles Town, WV 25414

Phone: 304-728-3284

[www.jeffersoncountywv.org](http://www.jeffersoncountywv.org)

Fax: 304-725-7916



December 14, 2009

Peter Lawrence Appignani  
26 General Wright Court  
Harpers Ferry, WV 25425

Dear Mr. Appignani:

The Jefferson County Commission has appointed you to serve on the Jefferson County Public Service District for a 6 year term ending December 1, 2015. A representative from the Jefferson County Public Service District should call you to provide further information on upcoming meetings and activities.

All representatives serving on Boards, Commissions and Authorities for Jefferson County are required to take an Oath of Office. Please contact the County Clerk's office and arrange to take this Oath as soon as possible.

If you have any questions about your appointment, please feel free to contact me. Thank you for your willingness to serve Jefferson County.

For the Commission

Dale Manuel  
President, Jefferson County Commission

DM/NH

cc: County Clerk's Office, JSCPD





# THE COUNTY COMMISSION OF JEFFERSON COUNTY

P.O. Box 250  
124 East Washington Street  
Charles Town, WV 25414  
[www.jeffersoncountywv.org](http://www.jeffersoncountywv.org)



Phone: 304-728-3284 Fax: 304-725-7916

December 23, 2005

Joseph Hankins  
977 Turner Road  
Shepherdstown, WV 25443

Dear Mr. Hankins:

The County Commission has directed that I contact you concerning your appointment to the Jefferson County Public Service District. The members of the Commission feel that your dedication to the Jefferson County Public Service District has been an asset to its operations and a valuable service to the citizens of Jefferson County.

Therefore, you have been reappointed to the Jefferson County Public Service District for a 6 year term ending December 1, 2011, in order that the County might continue to receive the benefit of your services.

All representatives serving on Boards, Commissions and Authorities for Jefferson County are required to take an Oath of Office each time they are appointed to a new term. Please contact the County Clerk's office and arrange to take this Oath as soon as possible.

If you have any question concerning your reappointment, please do not hesitate to call.

For the Commission,

Leslie D. Smith  
County Administrator

LDS/ssm

cc: / County Clerk's Office  
/ Jefferson County PSD



# THE COUNTY COMMISSION OF JEFFERSON COUNTY

P.O. Box 250  
124 East Washington Street  
Charles Town, WV 25414

Phone: 304/728-3284

[www.jeffersoncountywv.org](http://www.jeffersoncountywv.org)

Fax: 304/725-7916



December 17, 2007

Jim Cummins  
P.O. Box 83  
Bakerton, WV 25410

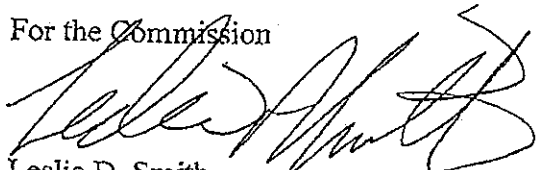
Dear Mr. Cummins:

The Jefferson County Commission has appointed you to serve on the Jefferson County Public Service District for a 6 year term ending December 1, 2013. A representative from the Jefferson County Public Service District should call you to provide further information on upcoming meetings and activities.

All representatives serving on Boards, Commissions and Authorities for Jefferson County are required to take an Oath of Office. Please contact the County Clerk's office and arrange to take this Oath as soon as possible.

If you have any questions about your appointment, please feel free to contact me. Thank you for your willingness to serve Jefferson County.

For the Commission

  
Leslie D. Smith  
County Administrator

LDS/ssm

cc: County Clerk's Office

# State of West Virginia,

## COUNTY OF JEFFERSON

Record for 1. 10.2009  
JEFFERSON COUNTY 04-11-2009 PM  
Notarized by 0000000000  
Not Notarized 27/07/2009  
Document Time 00:00  
Book Page 1-254

I, **Peter Appignani**, do solemnly swear or affirm that I will support the Constitution of the United States and the Constitution of the State of West Virginia.

I, **Peter Appignani**, do solemnly swear or affirm that I will faithfully discharge and perform the duties of the office of Jefferson County Public Service District to the best of my skill and judgment, and according to law. So help me God.

Signed



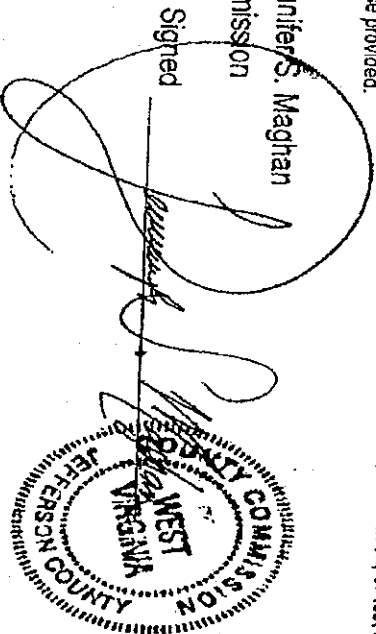
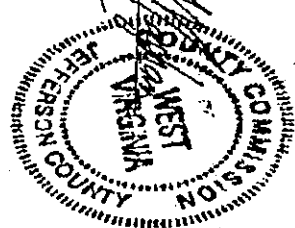
The above oath was taken and subscribed on this 10th day of December, 2009 at the Jefferson County Court House, 100 East Washington Street, Charles Town, West Virginia.

WV Constitution Article IV, Section 5. Oath or affirmation to support the constitution.

Every person elected or appointed to any office, before proceeding to exercise the authority, or discharge the duties thereof, shall make oath or affirmation that he will support the constitution of the United States and the constitution of this state, and that he will faithfully discharge the duties of his said office to the best of his skill and judgment, and no other oath, declaration, or test shall be required as a qualification, unless herein otherwise provided.

Oath administered by Jennifer S. Maghan  
Clerk of the County Commission

Signed

*State of West Virginia,*

COUNTY OF JEFFERSON

I, **Joseph Andrew Hankins**, do solemnly swear or affirm that I will support the Constitution of the United States and the Constitution of the State of West Virginia.

I, **Joseph Andrew Hankins**, do solemnly swear or affirm that I will faithfully discharge and perform the duties of the office of Jefferson County Public Service District to the best of my skill and judgment, and according to law. So help me God.

Signed

*Joseph A. Hankins*

The above oath was taken and subscribed on this 9th day of January, 2006 at the Jefferson County Court House, 100 East Washington Street, Charles Town, West Virginia.

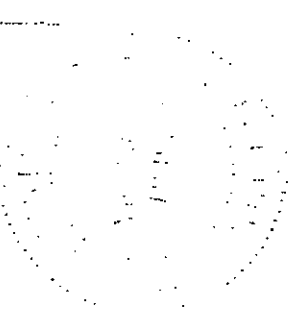
WV Constitution Article IV, Section 5. Oath or affirmation to support the constitution.

Every person elected or appointed to any office, before proceeding to exercise the authority, or discharge the duties thereof, shall make oath or affirmation that he will support the constitution of the United States and the constitution of this state, and that he will faithfully discharge the duties of his said office to the best of his skill and judgment; and no other oath, declaration, or test shall be required as a qualification, unless herein otherwise provided.

Oath administered by Jennifer S. Maghan  
Clerk of the County Commission

Signed

*Jennifer S. Maghan*



*State of West Virginia,*

COUNTY OF JEFFERSON

I, **Jim Cummins**, do solemnly swear or affirm that I will support the Constitution of the United States and the Constitution of the State of West Virginia.

I, **Jim Cummins**, do solemnly swear or affirm that I will faithfully discharge and perform the duties of the office of Jefferson County Public Service District to the best of my skill and judgment, and according to law. So help me God.

Signed



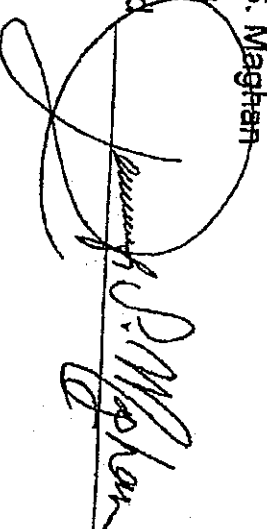
The above oath was taken and subscribed on this 7th day of January, 2008 at the Jefferson County Court House, 100 East Washington Street, Charles Town, West Virginia.

WV Constitution Article IV, Section 5. Oath or affirmation to support the constitution.

Every person elected or appointed to any office, before proceeding to exercise the authority, or discharge the duties thereof, shall make oath or affirmation that he will support the constitution of the United States and the constitution of this state, and that he will faithfully discharge the duties of his said office to the best of his skill and judgment, and no other oath, declaration, or test shall be required as a qualification, unless herein otherwise provided.

Oath administered by Jennifer S. Maghan  
Clerk of the County Commission

Signed



RULES OF PROCEDURE  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: JEFFERSON COUNTY PUBLIC SERVICE DISTRICT.

Section 2. The principal office of this Public Service District will be located at  
210 W. 3rd Ave. Charles Town Jefferson County, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles  
between which circles shall be inscribed Jefferson County Public Service District, and in the center "seal"  
as follows:

Section 4: The fiscal year of the District shall begin on July 1 of each year and shall end  
on the following June 30.

ARTICLE II

PURPOSE

This District is organized exclusively for the purposes set forth in Chapter 16, Article 13A  
of the Code of West Virginia of 1931, as amended (the "Act").

## ARTICLE III

### MEMBERSHIP

Section 1. The members of the Public Service Board of this District shall be those persons appointed by The County Commission of Jefferson County, West Virginia, or otherwise appointed pursuant to the Act, who shall serve for such terms as may be specified in the order of the County Commission or otherwise.

Section 2. Should any member of the Public Service Board resign or otherwise become legally disqualified to serve as a member of the Public Service Board, the Secretary shall immediately notify the County Commission or other entity provided under the Act and request the appointment of a qualified person to fill such vacancy. Prior to the end of the term of any member of the Public Service Board, the Secretary shall notify the County Commission or other entity provided under the Act of the pending termination and request the County Commission or other entity provided under the Act to enter an order of appointment or re-appointment to maintain a fully qualified membership of the Public Service Board.

## ARTICLE IV

### MEETINGS OF THE PUBLIC SERVICE BOARD

Section 1. The members of the Public Service Board of this District shall hold regular monthly meetings on the 1st Monday of each month, at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shall be held on the following day. Special meetings of the Public Service Board may be called at any time by the Chairman or by a quorum of the Board.

Section 2. At any meeting of the Public Service Board of the District, 2 members shall constitute a quorum. Each member of the Public Service Board shall have one vote at any membership meeting and if a quorum is not present, those present may adjourn the meeting to a later date.

Section 3. Unless otherwise agreed, notice to members of regular meetings shall not be required. Unless otherwise waived, notice of each special meeting of the membership shall be given to all members by the Secretary by fax, telephone, mail or other satisfactory means at least 3 days before the date fixed for such special meeting. The notice of any special meeting shall state briefly the purposes of such meeting and the nature of the business to be transacted thereat, and no business other than that stated in the notice or incidental thereto shall be transacted at any such special meeting.

## PUBLIC NOTICE OF MEETINGS

Section 4. Pursuant to Section 3, Article 9A, Chapter 6 of the West Virginia Code of 1931, as amended (1999 Revision), notice of the date, time, place and agenda of all regularly scheduled meetings of such Public Service Board, and the date, time, place and purpose of all special meetings of such Public Service Board, shall be made available, in advance, to the public and news media (except in the event of an emergency requiring immediate action) as follows:

A. Regular Meetings. A notice shall be posted and maintained by the Secretary of the Public Service Board of the Public Service District at the front door or bulletin board of the Jefferson County Courthouse and at the front door or bulletin board of the place fixed for regular meetings of the Public Service Board of the date, time and place fixed and entered of record by the Public Service Board for the holding of regularly scheduled meetings. In addition, a copy of the agenda for each regularly scheduled meeting shall be posted at the same locations by the Secretary of the Public Service Board not less than 72 hours before such regular meeting is to be held. If a particular regularly scheduled meeting is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the same locations as soon as feasible after such cancellation or postponement has been determined.

B. Special Meetings. A notice shall be posted by the Secretary of the Public Service Board at the front door or bulletin board of the Jefferson County Courthouse and at the front door or bulletin board of the place fixed for the regular meetings of the Public Service Board not less than 72 hours before a specially scheduled meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held. If the special meeting is cancelled, a notice of such cancellation shall be posted at the same locations as soon as feasible after such cancellation has been determined.

## ARTICLE V

### OFFICERS

Section 1. The officers of the Public Service Board shall be a Chairman, a Secretary and a Treasurer. The Chairman shall be elected from the members of the Public Service Board. The Secretary and Treasurer need not be members of the Public Service Board, and may be the same person.



Section 2. The officers of the Public Service Board shall be elected each year by the members at the first meeting held in such year. The officers so elected shall serve until the next annual election by the membership and until their successors are duly elected and qualified. Any vacancy occurring among the officers shall be filled by the members of the Public Service Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected hereinabove provided.

## ARTICLE VI

### DUTIES OF OFFICERS

Section 1. When present, the Chairman shall preside as Chairman at all meetings of the Public Service Board. The Chairman shall, together with the Secretary, sign the minutes of all meetings at which he or she shall preside. The Chairman shall attend generally to the executive business of the Board and exercise such powers as may be conferred by the Board, by these Rules of Procedure, or as prescribed by law. The Chairman shall execute, and if necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements or other papers necessary, requisite, proper or convenient to be executed by or on behalf of the Board when and if directed by the members of the Board.

Section 2. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. The Secretary shall, together with the Chairman, sign the minutes of the meetings at which he or she is present. The Secretary shall have charge of the minute book, be the custodian of the Common Seal of the District and all deeds and other writings and papers of the Board. The Secretary shall also perform such other duties as he or she may have under law by virtue of the office or as may be conferred from time to time by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 3. The Treasurer shall be the lawful custodian of all funds of the District and shall disburse funds of the District on orders authorized or approved by the Board. The Treasurer shall keep or cause to be kept proper and accurate books of accounts and proper receipts and vouchers for all disbursements made by or through him and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. He shall perform such other duties as may be required of him by law or as may be conferred upon him by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 4. If the Chairman, Secretary or Treasurer is absent from any meeting, the remaining members of the Board shall select a temporary chairman, secretary

or treasurer, as necessary, who shall have all of the powers of the absent officer during such period of absence.

## ARTICLE VII

### AMENDMENTS TO RULES OF PROCEDURE

These Rules of Procedure may be altered, changed, amended, repealed or added to at any regular or special meeting of the Board by a majority vote of the entire Board, or at any regular or special meeting of the members when a quorum is present in person and a majority of those present vote for the amendment; but no such change, alteration, amendment, repeal or addition shall be made at any special meeting unless notice of the intention to propose such change, alteration, amendment, repeal or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.

These Rules of Procedure shall replace any and all previous rules of procedure, bylaws or similar rules heretofore adopted by the District.

Adopted this 22 day of June, ~~2002~~  
2003

date  
c/m

# Jefferson County Public Service District

---

## Jefferson County Public Service District Regular Board Meeting January 4, 2010

The monthly meeting of the Jefferson County Public Service District was held at 7:00PM on Monday, January 4, 2009 in the meeting room at the Districts office in Kearneysville. Those in attendance included: Chairman, Joe Hankins; Secretary, Jim Cummins; newly appointed Board member, Peter Appignani; General Manager, Susanne Lawton; Administrative Assistant, Ashley Wilt; Pentree Engineers, John Tuggle and Zane Summerfield; District Legal Counsel, Jim Kelsh, and Commission Liaison to the Public Service District, Commissioner Lyn Widmyer.

Chairman Hankins called the meeting to order at 7:00PM.

Mr. Hankins opened the meeting by welcoming newly appointed Board member, Peter Appignani.

### Public Comments

Dave Kardock, representing the Mayor of Bolivar, commented on the Mountain Water Project and the Golder Report. He also introduced Barbara Humes and Elizabeth Blake to comment. They both decided to hold their comments until the discussion item.

### NEW BUSINESS

#### Election of Officers

Mr. Cummins nominated Mr. Hankins to serve as the Chairman and he accepted.

**Action:** Motion made by Mr. Cummins and seconded by Mr. Hankins to appoint Mr. Hankins as Chairman. Approved 2-0. Mr. Appignani abstained from voting.

Mr. Cummins nominated Mr. Appignani to serve as the Treasurer and he accepted.

**Action:** Motion made by Mr. Cummins and seconded by Mr. Hankins to appoint Mr. Appignani as Treasurer. Unanimously approved.

Mr. Appignani nominated Mr. Cummins to serve as Secretary and he accepted.

**Action:** Motion made by Mr. Appignani and seconded by Mr. Hankins to appoint Mr. Cummins as Secretary. Unanimously approved.

### OLD BUSINESS

#### Review Minutes of December 7, 2009 Regular Board Meeting

The minutes of the December 7, 2009 regular Board meeting were approved as presented.

**Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to accept the December 7, 2009 minutes as presented. Unanimously approved.

#### Clarification of mandatory sewer connection (300 foot) rule

Mr. Kelsh re-drafted the revised policy from the Board's feedback at last months meeting. The Board still had some concerns regarding the options Mr. Kelsh had drafted. Mr. Appignani suggested sending the policy to the Health Department for comments and feedback.

**Action:** Motion made by Mr. Appignani and seconded by Mr. Cummins to send the draft sewer connection rule to the Jefferson County Health Department for comments and feedback. After discussion, Mr. Cummins amended the motion to replace the word "standard" with "County Health Department" in item (i) section b) and to add "a County Health Department approved" in item (iii), second paragraph after "may elect to install a". Unanimously approved.

Revised Joint Applications to West Virginia Infrastructure and Jobs Development Council with Jefferson Utilities Incorporated for Mountain Water Project

John Tuggle completed the IJDC preliminary application and sent to the Board prior to the Board meeting, but the Board did not have time to review. In the preliminary application, Pentree has listed the total cost of the project as \$14,450,000 and will use a 50/50 split of loans and grants to cover the debt service. The proposed funding package will be finished up within the next two weeks. Mr. Tuggle stated that Pentree is comfortable with the numbers supplied from Jefferson Utilities' accountant and the draft Golder Report. Mr. Snyder was in the audience and stated that there is a deadline for submitting the application and would like the Board to move forward and not miss another funding cycle. Mr. John Maxey was also in the audience and questioned if it is more cost effective to develop wells than run a line across the mountain. Mr. Tuggle replied by stating that he is not sure if wells on the Mountain will put out more than wells in the Valley. From his professional opinion, the valley is more stable and proven to be the best source. The Board would like to put the IJDC preliminary application on both the Districts and the new Mountain Water Project websites for public review and comment.

**Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to table until next month when the application is complete and the public has had time to review. Unanimously approved.

**NEW BUSINESS**

Discussion of any expenses over budget

Mr. Hankins informed the Board that there are no items over budget.

**Action:** No action taken by the Board.

Disbursements

**Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to approve disbursements for Cavaland water expenses in the amount of \$881.01, Glen Haven water expenses in the amount of \$1,346.47, and for the Public Service District expenses in the amount of \$148,365.12. Unanimously approved.

Approve Transfer of \$128.45 from Cavaland Security Deposit Account into Cavaland Operating for Security Deposit Refunds

**Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to approve the transfer of \$128.45 from Cavaland Security Deposit Account into Cavaland Operating Account for Security Deposit Refunds. Unanimously approved.

Approve Transfer of \$4,321.22 from Sewer Security Deposit Account into Sewer Operating for Security Deposit Refunds

**Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to approve the transfer of \$4,321.22 from Sewer Security Deposit Account into Sewer Operating Account for Security Deposit Refunds. Unanimously approved.

Consider Approval of 2010 Holiday Schedule

**Action:** Motion made by Mr. Appignani and seconded by Mr. Cummins to accept the 2010 holiday schedule as presented. Unanimously approved.

To consider and act upon on a proposed Supplemental Resolution relating to the issuance of the Refunding Sewerage System Bond Anticipation Notes, Series 2010

In November 2009, the Board approved a 6-month extension that was approved by MVB Bank for the BAN which is being used to pay for engineering design work done by Pentree Inc. relating to the Flowing Springs Wastewater Treatment Plant. MVB has now approved another 6-month extension if needed and has renamed the series bond as 2010 since the District will close on the BAN in 2010. The Board now has to approve the Notes Resolution regarding this.

**Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to approve and authorize the Chairman to execute the Supplemental Resolution entitled:

**SUPPLEMENTAL RESOLUTION AMENDING CERTAIN SECTIONS OF THE NOTES RESOLUTION; REDESIGNATING THE NOTES TO THE REFUNDING SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 2010 OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH NOTES TO MVB BANK, INC.; AND MAKING OTHER PROVISIONS AS TO THE NOTES.**

**Unanimously approved.**

Consider Acceptance of the Golder Report for the Mountain Water Project Review Draft

Brent Waters from Golder Associates reviewed the findings of the report with the Board. The report found that the Valley has an adequate water supply and it is reasonable to take water from the Valley to the Mountain. The Board had comments and concerns with the report. Mr. Cummins felt that with the cost given for the study, it was not sufficient for what answers need to be answered. Mr. Hankins asked Mr. Waters if he would consider answering public questions and concerns once they review the report. Mr. Waters stated he had no problem answering questions as long as within reason. Barbara Humes and Budge Blake, both from the Elks Run Committee, were in the audience and commented on the report.

**Action: No action taken by the Board.**

Discussion and Next Steps on Glen Haven Meeting on December 16<sup>th</sup>

This item was tabled until next month.

**Action: No action taken by the Board.**

Discussion and Next Steps on Mountain Water Systems Meeting on December 17<sup>th</sup>

The District and Jefferson Utilities had a public meeting at the Chestnut Hill Church for the proposed upgrades to the existing public water system serving Keyes Ferry Acres, Westridge Hills, and Harpers Ferry Campsites. The Board felt the meeting was a success and now the critical issue is to submit a completed IJDC application.

**Action: No action taken by the Board.**

Discuss WV Funding Stakeholder Group February 2nd Meeting

The next meeting will be to discuss funding sources for capital improvements for public facilities made necessary by the obligation of nutrient removal requirements is on February 2nd. Mr. Kelsh is going to use the previous meeting minutes to draft comments on behalf of the District.

**Action: No action taken by the Board.**

Discuss Federal Leadership Committee's meeting Tuesday, January 5<sup>th</sup> at 7pm, Holiday Inn Martinsburg to discuss Draft Chesapeake Bay Strategy

Mr. Hankins is going to attend the meeting and try to provide comments on behalf of the District.

**Action: No action taken by the Board.**

Discuss Filing Comments on Federal Leadership Committee's Draft Chesapeake Bay Strategy due 1/9/2010

This item was discussed in the above agenda item.

**Action: No action taken by the Board.**

General Manager's Report

Ms. Lawton updated the Board on activities since last month's meeting. She reminded the Board that she will need a Board member around on pay days to sign her paycheck.

Consider Engagement of Outside Professional Financial and Accounting Support for the District

Ms. Lawton informed the Board that there are times when the District needs a CPA familiar with accounting to answer accounting questions regarding the District's financials. The District would like to hire an outside professional for an "on-call" basis. The District now relies on Cox Hollida Price to perform the yearly audit and that limits them as to their ability to advise on other financial issues.

**Action: Motion made by Mr. Cummins and seconded by Mr. Appignani to direct staff to move forward in exploring the possibilities and develop a scope/proposal**

**and cost estimate for outside professional financial and accounting support. Unanimously approved.**

Consider RFP for Inspection Engineering Firms

The District has been with its two (2) existing inspection engineering firms since 2005. The Board has decided to send out a new Request for Proposals (RFP) for inspection services to consider what other firms have to offer.

**Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to direct staff to notify the two (2) existing inspection engineering firms to terminate/not automatically renew the current contract and re-advertise for inspection engineering firms. Unanimously approved.

Consider Letter from PSD to PSC for Exemption Meter for Lawn Sprinkler for Deerfield Customer

There is currently a complaint case at the PSC filed against Jefferson Utilities (JUI) by a JUI water customer (PSD sewer customer) regarding the cost of installation of a deduct meter. Due to high usage during summer months resulting from watering the lawn, plants, and other outdoor activities, this customer would like Jefferson Utilities to install a meter that would measure how much water was used on the lawn separate from that water that was used in the house and into the sewer. Jefferson Utilities presented the customer with the cost of installation for a deduct meter and the customer then filed a complaint with the PSC due to the high cost. The PSC would now like a letter from the District stating that this deduct meter installation was ok. The Districts current policy and resolution that was passed in October 2004, does not allow deduct meters to be installed. The Board would like District staff to send a letter to Jefferson Utilities stating the Districts current policy and resolution and have Mr. Snyder forward to the PSC.

**Action:** Motion made by Mr. Appignani and seconded by Mr. Cummins to direct staff to prepare a letter to Jefferson Utilities stating the Districts current policy and adopted resolution on exemption meters. Unanimously approved.

Odor Control and Proposal from Siemens

The District has been getting complaints from customers about the foul smell of certain pump stations. The District contacted Siemens Water Technologies Corp. to solve the odor and corrosion control problems. Siemens explored the system and sent the District a proposal demonstrating the use of Bioxide treatment. Siemens will install and maintain testing of the system as long as the District purchases the Bioxide at \$2.95 per gallon. With the Districts current financial situation, the Board would like to accept the proposal, but postpone the installation until the Districts rate increase takes effect to cover the expenses.

**Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to authorize staff to accept the proposal by Siemens for the odor and corrosion control contingent upon the rate increase sufficient to cover the expenses. Unanimously approved.

Correspondence

None discussed.

Public Comments

None.

**Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to convene in executive session for the purpose of discussing litigation and contract negotiations. Unanimously approved.

**Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to return to public session. Unanimously approved.

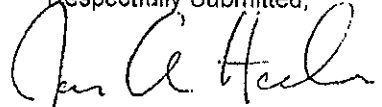
**Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to direct staff to intervene in the Municipal Appeal Case for the Charles Town Ordinance Rate Case. Unanimously approved.

- Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to direct staff to intervene in the Certificate Application Case for Tusawilla. Unanimously approved.
- Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to authorize that the Board delegates the Chairman with settlement authority in the January 26, 2010 PSC rate case, # 09-1915-PSD-42T-PC. Unanimously approved.
- Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to adjourn. Unanimously approved.

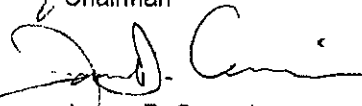
There being no further business at this time, the meeting was adjourned at 12:02AM

The next regular meeting is scheduled for February 1, 2010 at 7:00pm at 340 Edmond Road, Suite A at the Districts office in Kearneysville.

Respectfully Submitted,



Joseph A. Hankins  
Chairman



James D. Cummins  
Secretary

# Certificate of Publication

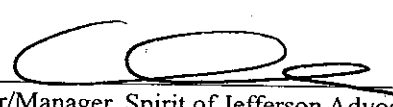
JEFFERSON PUBLISHING COMPANY, INC., Publisher  
SPIRIT OF JEFFERSON ADVOCATE

Charles Town, W. Va. March 24 20 10

I hereby certify that the annexed Notice of public hearing  
in the case of Jefferson County PSD Bond Resolution

has been published once a week for one successive weeks, in the Spirit of Jefferson  
Advocate, a newspaper published in Charles Town, Jefferson County, West Virginia, in the issues of  
March 24, 20 10,

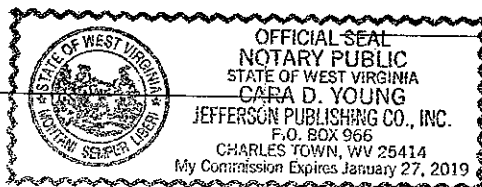
as required by law.

  
Editor/Manager, Spirit of Jefferson Advocate

State of West Virginia  
County of Jefferson

Personally appeared before me, Craig See, Editor/Manager  
of the Spirit of Jefferson Advocate, and made oath that the above certificate is true and correct.

Commission expires



  
Notary Public



**NOTICE OF PUBLIC HEARING ON JEFFERSON COUNTY  
PUBLIC SERVICE DISTRICT  
BOND RESOLUTION**

The Public Service Board (the "Board") of Jefferson County Public Service District (the "District") will meet in regular session on Monday, April 5, 2010, at 7:00 p.m., prevailing time, at the District's offices at 340 Edmond Road, Suite A, Kearneysville, Jefferson County, West Virginia, to hold a public hearing on the following Bond Resolution:

**RESOLUTION OF THE JEFFERSON COUNTY PUBLIC SERVICE DISTRICT AUTHORIZING THE ISSUANCE OF THE SEWER REFUNDING REVENUE BONDS, 2010 SERIES A IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$1,975,000, TOGETHER WITH OTHER FUNDS OF THE DISTRICT, FOR THE PURPOSES OF CURRENTLY REFUNDING THE SEWER REFUNDING REVENUE BONDS, SERIES 1998A AND PAYING THE COSTS OF ISSUANCE THEREOF; AUTHORIZING THE REFUNDING OF SUCH BONDS; PROVIDING AS TO THE TERMS AND PROVISIONS OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS; DESIGNATING A TRUSTEE AND PAYING AGENT; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS WITH RESPECT THERETO.**

The proceeds of the Bonds will be used to currently refund the Sewer Refunding Revenue Bonds, Series 1998 A and pay costs of issuance of the Bonds and related costs.

The Board of the District expects to adopt the Bond Resolution following the public hearing. A copy of the Bond Resolution is on file at the District's office.

Jim Cummins  
Secretary

3/24/10

# Jefferson County Public Service District

---

## Jefferson County Public Service District Regular Board Meeting April 6, 2010

The monthly meeting of the Jefferson County Public Service District was held at 7:00PM on Tuesday, April 6, 2010 in the meeting room at the District's office in Kearneysville. Those in attendance included: Chairman, Joe Hankins; Secretary, Jim Cummins; Treasurer, Peter Appignani; General Manager, Susanne Lawton; Administrative Assistant, Ashley Wilt; Pentree Engineer, Zane Summerfield; District Legal Counsel, Jim Kelsh, and Commission Liaison to the Public Service District, Commissioner Lyn Widmyer.

Chairman Hankins called the meeting to order at 7:06PM.

### Public Comments

None.

### OLD BUSINESS

#### Review Minutes of March 1, 2010 Regular Board Meeting

The minutes of the March 1, 2010 regular Board meeting were approved as presented.

**Action: Motion made by Mr. Cummins and seconded by Mr. Appignani to accept the March 1, 2010 minutes as presented. Unanimously approved.**

#### Review Minutes of March 22, 2010 Special Board Meeting

Since the March 22<sup>nd</sup> meeting took place in Executive Session, the Board gave a brief overview of the issue discussed at that meeting before voting on whether to approve these minutes. Due to a misplaced decimal point in Charles Town's water billing software, Uniwest was overcharged for water and sewer for 20 months. As a result, the District sewer bill to Uniwest was \$97,499.43 too much. The District was also overcharged by Charles Town for the same number of gallons to be treated at the Charles Town Wastewater Treatment Plant, resulting in an overpayment by the District to Charles Town in the amount of \$31,349.50. Charles Town has reimbursed the District for this amount. The District's Board and Uniwest approved a payment agreement where the \$31,349.50 the District received from Charles Town would immediately be paid to Uniwest and the balance due to Uniwest of \$66,149.93 would be paid to them over the next 20 months.

The minutes of the March 22, 2010 special Board meeting were approved as presented.

**Action: Motion made by Mr. Appignani and seconded by Mr. Cummins to accept the March 22, 2010 minutes as presented. Unanimously approved.**

#### Consider Revised Project Related Rule 42

Mr. Kelsh informed the Board of a similar case at the Public Service Commission (PSC) relating to the submission of Rule 42 Exhibits, upon which the final order was placed last Friday. The PSC is now requiring the Rule 42 to perfectly comply with their new rules/standards or it will be sent back. Chuck Young from Cox Hollida Price prepared the draft Rule 42 prior to this case which has made the rules more stringent. If approved by the Board, Mr. Young will need to revise the document according to the new standards, but the rates will remain similar. This revised Rule 42 is based upon the District meeting its debt service requirements entirely from volumetric rate revenue therefore proposing slightly higher rates than in previous Rule 42s the board has reviewed. Rates have also increased in this Rule 42 due to the Berkeley County Capital Improvement Fee (CIF) case which may prevent the issuance of any bonds in the state where the repayment method is the use of CIF's. Mr. Young presented the revised 42 Exhibit to the Board and gave examples of what the District's rates would be with or without using CIF's. The District's rates could increase to \$19.80 per 1000 gallons, but since the District is a bulk rate customer of Charles Town and they have filed for an increase, the rates could increase more to cover Charles Town's increase. Mr. Hankins suggested filing a dual Rule 42 Exhibit, one using CIF's and one without. Mr. Appignani suggested applying for more grants to help cover some of the costs instead of the rate payers either from the Infrastructure Council or State Revolving Fund (SRF). Mr. Summerfield informed him that the Infrastructure Council forwarded the application to the SRF due to the rates shown on the application not supporting grants because of the

median household income of the County, so the SRF will now decide on grants and loans the District can acquire.

**Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to approve and file the Rule 42 Exhibit showing \$19.80 as the proposed rate with the understanding that Chuck Young will redraft the document to meet the Public Service Commission's new format requirements and also make an express request for grant consideration. Unanimously approved.

Update on Joint Applications to West Virginia Infrastructure and Jobs Development Council (IJDC) with Jefferson Utilities Incorporated for Mountain Water Project

Mr. Kelsh updated the Board. At the IJDC Funding Committee Work Session on March 30<sup>th</sup> the application was referred to the funding committee, but at the funding committee meeting on April 2<sup>nd</sup> the application was recommended to be returned. The project was listed as a project to be returned to the applicant on the Infrastructure Council's April 7<sup>th</sup> meeting agenda. The District is now waiting for comments from the IJDC.

Public comments received by:

Kay Moore, Keyes Ferry Acres resident

Jacqueline Milliron, Breckenridge resident

Commission Lyn Widmyer (read a letter from the County Commission regarding Small Cities Block Grant)

John Maxey, Harpers Ferry resident

Mr. Cummins stated one of the constraints the District faces is the limited known facts for water sources it has at this time. There are a number of potential sources, but no facts yet to back them up. He was also surprised the PSC staff recommendation did not note any public opposition to the Valley Water source, which he thinks needs to be corrected. Mr. Appignani stated that all of the options should have been included in the application. The Board would like to see all comments before taking any further action.

**Action:** No action taken by the Board.

Consider Proposals from Engineering Firms for Inspection Services (first step in 5G process; choose who to interview)

This item was discussed in Executive Session.

**Action:** No action taken by the Board.

Update on WV Funding Stakeholder Group Workshop

The group met in February and assigned several members of the group to develop white papers on various concepts including a flush tax, a toilet paper tax, a license plate fee, excess lottery revenue, a fertilizer tax, and dedicated money from the Department of Environmental Protection (DEP) State Revolving Fund (SRF) program. Mr. Kelsh was assigned the task of preparing the fertilizer tax paper, Joe Hankins and Andy Blake, Ranson Attorney, were assigned the toilet paper tax paper, and John Tuggle and Mr. Kelsh were assigned the funds from DEP SRF paper. The papers were submitted to DEP for review and they will finalize their recommendations and forward to the Legislature by April 30<sup>th</sup>. Mr. Cummins commended Mr. Hankins and Mr. Blake on the toilet paper tax they developed. Ms. Widmyer agreed with Mr. Cummins and thought all the papers were great. Mr. Appignani questioned if there were any discussions on stormwater funding. Mr. Hankins stated that stormwater funding was not included in the discussions of the group at this time.

**Action:** No action taken by the Board.

Discussion and Consideration of the Purchase of Nutrient Offsets to Meet WV NPDES Permitting Requirements for Flowing Springs Project

Last month the Board directed staff to pursue a contract with Red Barn for nutrient offset credits to help fulfill the requirements of the NPDES Permit for the Flowing Springs plant. Mr. Kelsh sent the draft agreement to Red Barn, but hasn't received any comments back. The District is unsure of DEP's thoughts on this type of agreement, but the Board felt this was a reasonable strategy and critical for the NPDES permit application. Mr. Hankins informed the Board that there has been interest in the local community and the agriculture community, but they are not ready at this time for negotiations.

**Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to accept and approve the agreement with Red Barn, as submission for the Department of Environmental Protection NPDES permit application to indicate how the

**District plans move forward with the nutrient offset issue. Unanimously approved.**

## **NEW BUSINESS**

### **Discussion of any expenses over budget**

Mr. Hankins stated the Brickstreet Mutual expense under the Administrative and General Insurance line item will be putting the District over budget this month and for the fiscal year. The Board also acknowledged the Bad Debt line item is over budget for the year, but the District will be not be approving any immediate expenses this evening for that item.

**Action:** Motion made by Mr. Appignani and seconded by Mr. Cummins to approve the over budget expenses for Brickstreet Mutual totaling \$3,804.40 and acknowledge this payment will put the District over budget for the Administrative and General Insurance line item.

### **Disbursements**

**Action:** Motion made by Mr. Appignani and seconded by Mr. Cummins to approve disbursements for the Public Service District expenses in the amount of \$155,320.81, which includes the above approved expenses for Brickstreet Mutual. Unanimously approved.

**Action:** Motion made by Mr. Appignani and seconded by Mr. Cummins to approve disbursements for Cavaland water expenses in the amount of \$1,431.76 and Glen Haven water expenses in the amount of \$1,754.35. Unanimously approved.

### **Approve Transfer of \$2,685.71 from Sewer Security Deposit Account into Sewer Operating for Security Deposit Refunds**

**Action:** Motion made by Mr. Appignani and seconded by Mr. Cummins to approve the transfer of \$2,685.71 from Sewer Security Deposit Account into Sewer Operating Account for Security Deposit Refunds. Unanimously approved.

### **Update on Water Reuse Project from Jerry Wolfe, Chester Engineers**

Jerry Wolfe from Chester Engineers updated the Board on the progress being made regarding the water reuse study for the Flowing Springs wastewater treatment plant. The water reuse study will address alternatives for using the treated effluent discharges. The District received a \$60,000 source water protection grant from the Bureau of Public Health to fund the study. Mr. Wolfe informed the Board that Chester Engineering has completed 90 % of the study, just needing to finish the sources of funding section. Ms. Widmyer, along with the Board thought it would be worth looking into to expand the use of the effluent to a nearby nature site or plant site. Mr. Wolfe gave a copy of the draft study to the Board members for their review.

**Action:** No action taken by the Board.

### **Consider Berkeley County PSD Courtesy Request to Allow Berkeley County to Provide Water Service to Hospice of the Panhandle**

The Berkeley County Public Service Water District and Sewer District contacted the Jefferson County PSD (PSD) to request a release to serve the proposed Hospice of the Panhandle on Route 9. This new facility will be located on 2 parcels of land next to the Jefferson-Berkeley County line. The access road to the property is located in Berkeley County, but the facility will be located in Jefferson County. The architect for the project, Mr. Robert Eckels, was present in the audience to inform the Board of the boundary situation. The Berkeley County water and sewer districts requested from the Jefferson County PSD to serve the proposed facility since they have infrastructure in the area and the Jefferson County PSD does not. The Board agreed with this request and will send a letter to the Berkeley County water and sewer districts confirming this.

**Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to direct staff to send a courtesy letter back to the Berkeley County water and sewer

**districts confirming the Jefferson County PSD has no infrastructure in the area and release the parcels for them to serve. Unanimously approved.**

Consider Berkeley County PSSD Courtesy Request to Allow Berkeley County to Provide Sewer Service to Hospice of the Panhandle

This item was discussed above.

**Action: No action taken by the Board.**

Discussion of Affordable Housing with Cambridge LLC

Mike Cassell, Attorney representing Cambridge LLC, gave a presentation to the Board requesting that Cambridge be permitted to pay the Capital Improvement Fee for numerous lots, but delay getting the building permit beyond the 10 business day policy. Mr. Cassell informed the Board that Cambridge was the only development in the County to offer new affordable manufactured homes. He stated the homes sell anywhere from \$30,000-\$80,000, but are required to pay the extra fees of a \$13,500 impact fee and a \$1,127 Capital Improvement Fee (CIF) which could soon go up to \$5,500. The District currently has an agreement with Cambridge that is set to expire in June requiring them to pay Charles Town's CIF, which is at the Public Service Commission to increase to \$5,500. After June 30<sup>th</sup> they will be subject to pay the District's current CIF of \$7,500. The District's current policy states that when a developer pays the CIF, they have 10 business days to apply for a building permit. Cambridge felt the added increased costs having to be paid around the same time would affect their ability to see the new units. The Cambridge developers requested that they be permitted to pay the current CIF of \$1,127 for up to 27 lots that are ready to be developed, but delay getting the building permits and paying the impact fees to the County until they actually have the units sold. Mr. Hankins pointed out that if the County wanted to follow through on their desire to support low income housing that they may wish to consider a fund to pay these fees for the few affordable homes that are constructed each year. After much discussion, Mr. Kelsh stated he cannot advise the Board on any actions until he reviews all the associated agreements.

**Action: Motion made by Mr. Cummins and seconded by Mr. Appignani to direct staff and Mr. Kelsh to review all the options for Cambridge and review PSC regulations with a sense of urgency due to an order on the Charles Town CIF case. Unanimously approved.**

Consider Intervention in Berkeley County Capital Improvement Fee Case

This item was discussed in Executive Session.

**Action: No action taken by the Board.**

To Consider and Act Upon on the Proposed Bond Resolution for the Issuance of the SEWER REFUNDING REVENUE BONDS, 2010 SERIES A in the Aggregate Principal Amount of Not More Than \$1,975,000, Together with Other Funds of the District, for the Purposes of Currently Refunding the Sewer Refunding Revenue Bonds, Series 1998 A, Fund a Debt Service Reserve Fund and Paying the Costs of Issuance Thereof (the "Bonds")

Mr. Kelsh informed the Board of the updated version of the Bond Resolution document that he received prior to the Board meeting. He stated most of the changes were technical details and he recommends the Board approve the resolution. Jim Kelsh informed the Board that the Public Service Commission has issued no orders or memos relating to the bond refinance.

**Action: Motion made by Mr. Cummins and seconded by Mr. Appignani to adopt the resolution as read into the record:**

**RESOLUTION OF THE JEFFERSON COUNTY PUBLIC SERVICE DISTRICT AUTHORIZING THE ISSUANCE OF THE SEWER REFUNDING REVENUE BONDS, 2010 SERIES A IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$1,975,000, FOR THE PURPOSES OF CURRENTLY REFUNDING, TOGETHER WITH OTHER FUNDS OF THE DISTRICT, THE SEWER REFUNDING REVENUE BONDS, SERIES 1998A AND PAYING THE COSTS OF ISSUANCE THEREOF; AUTHORIZING THE REFUNDING OF SUCH BONDS; PROVIDING AS TO THE TERMS AND PROVISIONS OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT, A**

**CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS; DESIGNATING A TRUSTEE AND PAYING AGENT; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS WITH RESPECT THERETO.**

**Unanimously approved.**

To Consider and Act Upon Any Measures Related to the Bonds

**Action:** **Motion made by Mr. Cummins and seconded by Mr. Appignani to direct staff and to act upon any measures related to the Bonds and direct Counsel to review changes made to the Bond Resolution. Unanimously approved.**

Consideration of Memorandum of Understanding with the City of Ranson

Last month Mr. Kelsh stated the City of Ranson has expressed interest in working with the District on the Flowing Springs project and to draft a Memorandum of Understanding (MOU) as the first step. The Board reviewed and approved the drafted MOU. Mr. Kelsh will forward the agreement to Ranson for approval.

**Action:** **Motion made by Mr. Appignani and seconded by Mr. Cummins to approve the Memorandum of Understanding between the District and the City of Ranson. Unanimously approved.**

Discuss Status of S.1816 & H.R.3852: To Amend the Federal Water Pollution Control Act to Improve and Reauthorize the Chesapeake Bay Program

Last month the Board had approved drafting letters of support to West Virginia Senators and Congresspersons for Senate Bill 1816. The Board would like to postpone sending the drafted letters until concerns are addressed. Mr. Hankins is attending a meeting on April 13<sup>th</sup> at Senator Cardin's office with representatives of the National Association of Clean Water Agencies, of which the District is a member.

**Action:** **No action taken by the Board.**

Consider Approval of Generator Contract Renewal from AR&E

The past 2 years, the District has approved Apparatus Repair & Engineering, Inc. (AR&E) for an annual preventative program for generator maintenance for each of the pump stations. The contract is up for renewal the Board felt it is worth renewing.

**Action:** **Motion made by Mr. Cummins and seconded by Mr. Appignani to renew the contract with Apparatus Repair & Engineering, Inc. for generator maintenance with an annual cost of \$9,849.00. Unanimously approved.**

Discuss Agenda Topics and Schedule for Work-Session Meetings

Last month Mr. Hankins made the suggestion for the Board to consider holding regular Board Work Sessions supplement to the monthly Board meetings and to work with staff to draft a work session schedule and possible topics to discuss for this month's meeting. The Board will have the first work session on Friday, May 21<sup>st</sup> from 8:00AM – 12:00PM at the District office. Ms. Lawton will send out a draft agenda to the Board before the meeting for posting.

**Action:** **No action taken by the Board.**

General Manager's Report

Ms. Lawton updated the Board on activities since last month's meeting.

- Easement Acquisition for Flowing Springs wastewater treatment plant – Ms. Lawton updated the Board on a meeting she had with Mr. Summerfield, Mr. Kelsh, Ms. Wilt, and Mr. Crawford. They are continuing to gather easements for the project.

**Action:** **No action taken by the Board.**

Correspondence

None discussed.

Public Comments  
None.

- Action:** Motion made by Mr. Hankins and seconded by Mr. Cummins to convene in executive session for the purpose of discussing litigation and contract negotiations. Unanimously approved.
- Action:** Motion made by Mr. Appignani and seconded by Mr. Cummins to return to public session. Unanimously approved.
- Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to direct the General Manager to request a proposal from Chuck Young to provide assistance and testimony to Jim Kelsh relating to the Charles Town Certificate and Municipal Appeal Case. Unanimously approved.
- Action:** Motion made by Mr. Appignani and seconded by Mr. Cummins to file an Amicus Brief in the Berkeley County capital improvement fee case. Unanimously approved.
- Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to interview Alpha Associates, Chester Engineering, and Specialized Engineering for water and sewer inspection services. Unanimously approved.

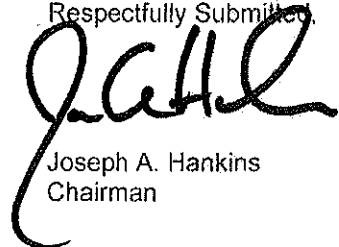
The Board formed a committee of Ms. Lawton, Mr. Castaldo (Operations Manager), and Mr. Appignani to complete the interviews.

- Action:** Motion made by Mr. Cummins and seconded by Mr. Appignani to adjourn. Unanimously approved.

There being no further business at this time, the meeting was adjourned at 11:30PM

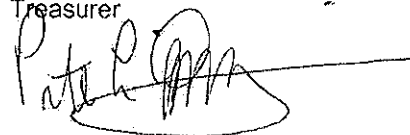
The next regular meeting is scheduled for May 3, 2010 at 7:00pm at 340 Edmond Road, Suite A at the Districts office in Kearneysville.

Respectfully Submitted,



Joseph A. Hankins  
Chairman

Peter L. Appignani  
Treasurer



\$1,895,000  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

EXCERPT OF MINUTES ON APPOINTMENT  
OF ACTING CHAIRMAN

The undersigned Secretary of Jefferson County Public Service District (the "District") hereby certifies that the following is a true and correct excerpt of the minutes of a special meeting of the said District:

\*\*\*

\*\*\*

\*\*\*

The Public Service Board of the District met in special session, pursuant to the notice duly posted, on the 18th day of June, 2010, at the District's offices at 340 Edmond Road, Suite A Kearneysville, Jefferson County, West Virginia, at the hour of 9:00 a.m.

PRESENT: James D. Cummins, Secretary  
Peter L. Appignani, Treasurer  
Susanne Lawton, General Manager

ABSENT: Joseph A. Hankins, Chairman

Peter L. Appignani, Treasurer, presided, and James D. Cummins, acted as Secretary. The Treasurer announced that a quorum of members was present and that the meeting was open for any business properly before it.

Then, the Treasurer presented the proposed SUPPLEMENTAL RESOLUTION attached hereto and incorporated herein and caused the same to be read and there was discussion.

Thereupon, upon motion duly made and seconded, it was unanimously ordered that the said SUPPLEMENTAL RESOLUTION be adopted and be in full force and effect on and from the date hereof.

There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously ordered that the meeting adjourn.

  
Secretary



EXHIBIT A

Supplemental Resolution

(See Tab 2b)

**PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON**

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 20<sup>th</sup> day of May 2010.

CASE NO. 10-0328-PSD-PC

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT,  
a public utility, Kearneysville, Jefferson County.

Petition for authorization to borrow and  
request for expedited treatment.

**COMMISSION ORDER**

On March 12, 2010, Jefferson County Public Service District (District) filed a petition for approval to borrow up to \$1,975,000 at an overall yield rate not to exceed 4.75% per annum. The District plans to issue Sewer Refunding Revenue Bonds, Series 2010 (2010 Bonds) for the purpose of refunding its Sewer System Revenue Bonds, Series 1998A (1998A Bonds) to achieve debt service savings. The District further states that because the interest rate obtainable on the market will fluctuate between the time this filing was made and closing, it will refrain from closing if the overall yield rate should exceed 4.75%.

On April 27, 2010, the District amended its petition to request approval to borrow up to \$1,960,000 at an overall yield not to exceed 4.75% per annum. The District stated that the actual terms may be closer to \$1,945,000 at an overall yield of 4.15% per annum.

On May 12, 2010, Commission Staff filed a Final Joint Staff Memorandum, recommending approval of the amended petition seeking Commission approval to borrow up to \$1,960,000 at an overall yield not to exceed 4.75% per annum, to be fully amortized in October 2028, and at coverage requirements that are the same or more favorable to the District than the existing bonds. Staff further recommended that after closing on the 2010 Bonds, the District file a letter stating the amount borrowed and the interest rate as a closed entry in this proceeding.

**DISCUSSION**

Because the coverage requirements will be the same or more favorable to the District than the existing bonds the amended petition should be approved. Further, the District should be required to file a letter stating the amount borrowed and the interest rate upon closing.

### FINDINGS OF FACT

1. The District filed a petition for approval to borrow up to \$1,975,000 at an overall yield rate not to exceed 4.75% for the purpose of refunding its 1998A Bonds to achieve debt service savings.
2. The District amended its petition to request Commission approval to borrow up to \$1,960,000 at an overall yield not to exceed 4.75% per annum.
3. The District stated that the actual terms of the loan may be closer to \$1,945,000 borrowed at an overall yield of 4.15% per annum.
4. Staff recommends approval of the amended petition to borrow up to \$1,960,000 at an overall yield not to exceed 4.75% per annum, to be fully amortized in October 2028.
5. Staff further recommends that, after closing on the 2010 Bonds, the District file a letter stating the amount borrowed and the interest rate as a closed entry in this proceeding.

### CONCLUSIONS OF LAW

1. It is reasonable for the Commission to grant its prior consent and approval for the District to borrow funds as described herein because coverage requirements will be the same or more favorable to the District than the existing bonds.
2. It is reasonable to require the District to file a letter stating the amount borrowed and the interest rate after closing on the 2010 Bonds.

### ORDER

IT IS THEREFORE ORDERED that the amended petition filed by the Jefferson County Public Service District seeking approval to borrow up to \$1,960,000 at an overall yield not to exceed 4.75% per annum, is hereby approved.

IT IS FURTHER ORDERED that should the overall yield exceed 4.75% per annum, the Jefferson County Public Service District shall refrain from closing on the loan.

IT IS FURTHER ORDERED that upon closing of the loan, the Jefferson County Public Service District will file a letter stating the amount borrowed and the interest rate as a closed entry in this proceeding.

IT IS FURTHER ORDERED that on entry of this order, this case shall be removed from the Commission docket of open cases.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this order by electronic service on all parties of record who have filed an e-service agreement, by United States First Class Mail on all parties of record who have not filed an e-service agreement, and on Staff by handdelivery.

A True Copy, Teste:

  
Sandra Squire  
Executive Secretary

LHG/lld  
100328c.wpd

**PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON**

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 7<sup>th</sup> day of April 2010.

CASE NO. 09-1915-PSD-42T-PC

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT,  
a public utility.

Rule 42T application to increase rates and charges.

**COMMISSION ORDER**

The Commission grants the exceptions filed by the Jefferson County Public Service District, in part, and approves final rates.

**BACKGROUND**

On November 10, 2009, the Jefferson County Public Service District (District) filed an application to increase its rates for providing sewer service by 8.6%. The District tariff has a single block and the District proposed to increase the metered rate from \$11.85 to \$12.87 per thousand gallons. The District also requested emergency interim rate relief.

On November 24, 2009, Commission Staff filed its Initial Joint Staff Memorandum recommending an emergency interim rate increase of 2.8%, resulting in a metered rate of \$12.15 per thousand gallons. On December 9, 2009, the ALJ issued an Interim Recommended Decision adopting the Staff recommended interim rate increase.

On January 7, 2010, Staff filed its Rule 42 Exhibit, recommending a final rate of \$12.74 per thousand gallons. Staff stated that this rate would produce \$143,789 in total cash available for capital additions and would provide debt service coverage of 139.06%. Staff also recalculated the District leak adjustment rate at \$4.82 per thousand gallons.

On January 26, 2010, the ALJ convened a hearing. No one from the public appeared.

On February 23, 2010, the ALJ issued a Recommended Decision. The ALJ ruled in favor of the District regarding the treatment of Capacity Improvement Fees (CIF) and the Public Employees Retirement System (PERS) rate increase, but approved the Staff tariff, holding that the Staff-recommended rates and charges were sufficient for operating the District.

On March 10, 2010, the District filed Exceptions to ALJ Finding of Fact No. 9 and Conclusion of Law No. 4:

[Finding] 9. In preparing Staff Ex. 1, Staff used capital additions of \$79,449 for 2007, \$51,390 for 2008, and \$294,438 for 2009, to calculate average capital additions at \$143,878. The figures for 2007 and 2008 were essentially traditional amounts, but \$100,697 of 2009's amount was for furnishings for the District's new building, which are not as typical addition and will not recur. It is Staff's position that the funding for capital additions is sufficient to absorb the \$21,666 the raised PERS premiums will cost, and, if the District faces overwhelming expenses, it can file for a further rate increase. (Staff Ex. 1, Statement H, Schedule; Tr. 102-104; District's 2009 annual report).

[Conclusion] 4. With those adjustments, \$477,536 is available for debt service, and debt service coverage is 130%, well above the needed 115%. The remaining cash surplus is \$109,377, which is only \$935 less than the average capital additions of \$110,312, and is a reasonable result.

On March 10, 2010, Staff filed Exceptions to Conclusions of Law Nos. 2 and 3:

2. The Recommended Decision issued in Jefferson Co. Pub. Ser. Dis., Case No. 09-0347-PSD-PC-CN, which was adopted in pertinent part by the Commission in its Order of August 14, 2009, modified only the accounting treatment of the CIF/CAF funds, from contributions-in-aid-of-construction to nonoperating revenue, because of bond requirements, and that modification had no impact on the restriction placed by the Commission in Case No. 06-0413-PSD-T-PC on the use of the CIF/CAF funds, i.e., requiring prior Commission approval before disbursing any of the CIF/CAF funds other than the CIF payment to Charles Town. Lifting the restriction in this rate case would be inconsistent with the requirement stated by the Commission in that case that CIF/CAF funds be used to upgrade treatment capacity. The \$12,746 in CIF/CAF funds must be subtracted from the total available cash of \$2,071,297 provided at Statement H of Staff Ex. 1.

3. The \$21,666 in increased PERS expense must be added to the District's operation and maintenance expenses.

On March 19, 2010, the District submitted a copy of a March 16, 2010 letter from the Consolidated Public Retirement Board (CPRB) setting the employer contribution rate as 12.5%, instead of 17.0% as had been previously announced by the CPRB. The 12.5% employer contribution rate will become effective July 1, 2010.

On March 22, 2010, the District filed a Reply to the Staff Exceptions. The District stated that (i) Staff ignored the limitations on the District use of CIF proceeds, and (ii) the issue of the District increased PERS contribution requirement is moot if the Commission takes administrative notice of that increase.

On March 26, 2010, Staff filed a Reply to the District Exceptions. Staff stated that on March 12, 2010, the District filed a petition with the Commission for authorization to borrow for the purpose of refunding an existing bond series (Case No. 10-0328-PSD-PC). According to Staff the proposed refinancing would lower the debt expense for the District.

On March 29, 2010, the District filed a Motion to strike the Staff Reply to exceptions, stating that (i) the Staff Reply was untimely filed, (ii) the events in Case No. 10-0328-PSD-PC are outside the confines of the current case, and (iii) the Commission decision and the potential debt savings, if any, is unknown at present and thus it would be inappropriate for the District to have included information regarding Case No. 10-0328-PSD-PC in the present case

### DISCUSSION

#### *CIF*

In Case No. 06-0413-PSD-T-PC (Commission Order January 14, 2009), the Commission increased the amount of the District CIF and specifically restricted use of the CIF and Capacity Assurance Fees (CAF) as follows:

IT IS FURTHER ORDERED that the District must seek and obtain Commission prior approval before committing or disbursing any part of the \$7,500 CIF and CAF funds approved by this Order except that the District is authorized to pay the Charles Town \$1,127 CIF from the proceeds of the \$7,500 CIF, where the Charles Town CIF is applicable and required.

In Case No. 09-0347-PSD-PC-CN (Recommended Decision July 20, 2009, Final August 14, 2009) the Commission authorized the District to reclassify its CIFs from contributions in aid of construction to non-operating revenue. The District sought this modification because if treated as net income the CIFs funds would be available to calculate bond coverage requirements. Notably, the Commission did not authorize the District to use the CIF funds to meet ongoing operation expenses, debt service expenses, or for normal ongoing, capital additions.

The Staff cash flow statement (Staff Ex. 1, Statement H) properly includes the CIF proceeds in Total Available Cash for the purpose of calculating debt service coverage. Staff also included the CIF proceeds in the Total Available For Capital Additions. This does not reflect the actual amount of unencumbered funds available for normal ongoing capital additions. The CIF proceeds may not be used by the District for normal capital additions, or

any other purpose, without first obtaining the permission of the Commission. Moreover, the Commission has authorized the CIFs solely for the purpose of creating a fund to help support future major treatment plant additions. The ALJ was correct to subtract the \$12,746 in CIF funds from the Total Available Cash.

### *PERS*

The existence of a PERS contribution requirement was known to the parties from the beginning of the case. Staff Report, Statement G, Sheet 4. The applicable rate was updated at the hearing (Transcript January 26, 2010, page 66, Utility Exhibit 4) and again by a District filing made March 19, 2010. The Staff witness at hearing stated that the initial increase in the PERS rate to 17% was a known and measurable expense. Transcript pages 107, 108 (Mitchell).

The Commission will take administrative notice of the CPRB-revised employer contribution rate of 12.5%. It appears that this rate will go into effect on July 1, 2010 and will be applicable for the majority of the first year that the rates approved herein will be in effect. Staff asserts that an adjustment based on the PERS contribution requirement constitutes "single issue ratemaking." The Commission disagrees because as a rate case proceeding all rate issues are currently before the Commission and Staff had the opportunity to suggest any necessary adjustments to the PERS contribution. The Commission will note that it is a dangerous precedent to declare adjustments to be known and measurable in advance of the date that expenses are incurred. The Commission has historically allowed updates for cost items that are truly known and measurable and ongoing. In this case, the District, the ALJ, and Staff believed that an adjustment of over \$20,000 in expenses was known and measurable, and we learned after the Recommended Decision issued that a much lower adjustment is now reasonably anticipated. Nevertheless, considering the current status of the PERS contribution, we will make an adjustment to the Staff recommended revenue requirement to reflect a contribution rate of 12.5%. This adjustment increases the Staff revenue requirement by \$5,417.

### *Capital Additions*

Capital additions are generally calculated using a five-year average. Tr. page 109 (Mitchell). However, in this case Staff used a three-year average. *Id.* On direct examination Staff noted that over \$100,000 of the test-year capital additions consisted of furnishing for the new District building. Tr. page 102. Staff, however, did not argue that the expenditure for the furnishings was inappropriate but merely stated that such expense would be unlikely to reoccur in the future. *Id.*

It is not unusual to find that historic capital additions includes the cost of items that do not specifically recur on an annual basis, such as pumps, upgrades, furnishings, computer equipment, and vehicles. Therefore it is not unusual for capital additions to experience fluctuations over time. To "smooth" these sometimes broad fluctuations the Commission



normally prefers a five-year average when calculating capital additions. The lack of capital addition data for the years 2005-6, and the sharp spike in the test-year capital additions created by the purchase of new office furnishings, resulted in an unusually large capital average addition amount of \$143,000. Nevertheless, capital additions should be kept separate from expenses, and it would be inappropriate, as noted by Staff, to include an expense item such as the PERS contribution requirement as a capital addition. Tr. page 109 (Mitchell).

The Commission will calculate a revised five-year average for capital additions by using the 2007 capital addition figure, described by Staff as "typical" (Tr. page 102), to fill the gaps in the missing data for the years 2005-6. This results in a estimated five-year capital addition figure of \$120,649.

### *Final Rates*

Including \$5,417 for additional PERS payments, excluding the \$12,836 CIFs from net cash flow available for ongoing capital addition, and providing for capital additions of \$120,649, results in a net revenue requirement of \$138,606. This amount is slightly less than the Staff recommendation and results in a usage rate of \$12.71 per thousand gallons. Additional publication will not be necessary because this rate does not exceed the rate previously noticed in this case.

Although we are approving a revenue level and rate that does not exceed the notice to the public already provided we believe that it is appropriate to comment on the District argument regarding notice. The Commission notes that the District February 12, 2010, Reply Brief to the ALJ, at part II.B., contained an argument that the language of the public notice would allow the final rate approved by the Commission to exceed the published rate.

Public notice of rates is designed to provide customers with knowledge of the amount of additional revenue the utility is requesting. The Commission has become concerned with an apparent increase in the number of rate and certificate application proceedings that conclude with orders approving utility revenue requirements that are higher than the revenue requirements originally requested and noticed to the public. When utilities file for tariff increases with an effective date that are then subject to statutory time limits for Commission review, they should be aware that the running of the statutory clock does not leave a lot of room for modifications to the requested rates and additional public notice. Furthermore, utilities are required to justify their tariff filings with financial support that fully reflect the data that they are relying on to justify the requested rate increase. The Commission is concerned with an increasing number of incomplete filings that start the statutory clock running, followed during the processing of the case by one or more petitions to toll the running of the statutory suspension period to allow for modifications and updates to the data supporting a rate increase or even to attempt to support higher rates than originally requested.

The Commission believes that its Staff, the ALJ Division and public utilities may be misinterpreting the language in the notice required by the Commission to permit or even condone such outcomes. The form language that is the likely source of the misinterpretation warns that individual customers may receive increases that are greater or less than the noticed average increase, and that the noticed rates are only a proposal and are subject to change (increase or decrease) by the Commission in its review of the filing. (Tariff Form No. 8, Tariff Form No. 8-A, Tariff Form No. 8-B, Tariff form No. 8-C, Tariff Form No. 12, Tariff Form No. 13, M.C. Tariff Form No. 8, M.C. Tariff Form No. 8-A, M.C. Tariff Form No. 9, Rules of Practice and Procedure Form No. 14).

The Commission advises parties that this language is intended to provide customers with notice that the Commission has the flexibility to examine a requested revenue requirement and properly assign the increased revenues among the customer classes of a particular utility through rates, based on a class cost of service study and other appropriate ratemaking factors. The form language is not intended and was never intended to condone increases in rates that result in an overall revenue increase that significantly exceeds the overall revenue increase originally sought by a utility and noticed in a rate or certificate filing. While a Commission audit and investigation of a utility may result in a conclusion that a higher overall revenue requirement than was originally requested could be justified, the Commission believes that to approve a substantially higher revenue requirement without public notice would be contrary to the intent of the law and rules governing utility tariff filings with proposed effective dates (W. Va. Code §24-2-4a and Rule 8.1 of the Commission *Rules for the Construction and Filing of Tariffs*, 150 C.S.R. 2), and a violation of customer due process rights.

#### *Motion to Strike*

The Commission has not considered the District filing in Case No. 10-0328-PSD-PC in its review of the rates in this case because the outcome of that proceeding is unknown. The Commission will dismiss the District motion to strike as moot.

### **FINDINGS OF FACT**

1. In Case No. 06-0413-PSD-T-PC (Commission Order January 14, 2009), the Commission increased the amount of the District CIF and specifically restricted use of the CIF and CAF.
2. In Case No. 09-0347-PSD-PC-CN (Recommended Decision July 20, 2009, Commission Order August 14, 2009) the Commission authorized the District to reclassify its CIFs from contributions in aid of construction to non-operating revenue.
3. The Commission has not authorized the District to use the CIFs to meet ongoing operation and debt service expenses.

4. The Staff cash flow statement (Staff Ex. 1, Statement H) properly includes the CIF proceeds in Total Available Cash for the purpose of calculating debt service coverage.

5. The existence of a PERS contribution requirement was known to the parties from the beginning of the case. Staff Report, Statement G, Sheet 4.

6. The applicable rate for the PERS contribution requirement was updated at the hearing (Transcript January 26, 2010, page 66, Utility Exhibit 4) and again by a District filing made March 19, 2010.

7. Capital additions are generally calculated using a five-year average. Tr. page 109 (Mitchell).

8. In this case Staff did not obtain figures for capital additions for the years 2005 and 2006 and thus used a three-year average. Tr. page 109 (Mitchell).

9. Over \$100,000 of the test-year capital additions consisted of furnishings for the new District building. Tr. page 102.

10. Staff did not suggest that the expenditures for furnishings should be disallowed as inappropriate capital additions but merely stated that such a purchase would be unlikely to reoccur in the future. Tr. page 102.

### CONCLUSIONS OF LAW

1. The ALJ was correct to subtract the \$12,746 in CIF funds from the total cash available for normal, ongoing capital additions because the CIF proceeds may not be used by the District for these purposes without the permission of the Commission.

2. The PERS increase as discussed at the hearing is a known expense. Tr. pages 107, 108 (Mitchell).

3. Measurement of future increases that have not gone into effect as of the date they are presented to the Commission is problematic and creates the potential for inaccurate and incorrect adjustments.

4. It is reasonable to take administrative notice of the CPRB-revised employer PERS contribution rate of 12.5%. This rate will go into effect on July 1, 2010 and will be applicable for the majority of the first year that the rates approved herein will be in effect.

5. An adjustment based on the PERS contribution requirement does not constitute "single issue ratemaking" because (i) as a rate case proceeding all rate issues are currently before the Commission and Staff has had the opportunity to suggest any necessary accounting entries to the PERS contribution, but has neither done so nor suggested the nature

of such entries, and (ii) the potential for an increase in the District PERS contribution was well known and well documented.

6. The total for capital additions routinely includes the cost of plant items such as pipe, that are replaced on a regular basis, but also includes items that occur with less frequency, such as pumps, furnishings, computer equipment, and vehicles.

7. It is not unusual for capital additions to experience broad fluctuations from year to year and the Commission prefers to use a five-year average to "smooth" these sometimes broad fluctuations.

8. Capital additions should be kept separate from expenses and it would be inappropriate, as noted by Staff, to include an expense item such as the PERS contribution requirement as a capital addition. Tr. page 109 (Mitchell).

9. It is reasonable to calculate a revised five-year average for capital additions by using the 2007 capital addition figure, described by Staff as "typical" (Tr. page 102), to fill the gaps in the missing data for the years 2005-6. This results in a estimated five-year capital addition figure of \$120,649.

10. It is reasonable to adopt a final rate of \$12.71 per thousand gallons based on the adjustments describe herein.

11. The revenue level, percentage increase, and rate approved herein do not exceed amounts previously noticed in this case.

12. It is reasonable to dismiss the District motion to strike as moot because the Commission has not considered the District filing in Case No. 10-0328-PSD-PC in its review of the rates in this case.

### **ORDER**

IT IS THEREFORE ORDERED that the exceptions filed by the District and Staff are granted in part and denied in part, as described herein.

IT IS FURTHER ORDERED that the sewer rates and charges for the District, as contained in the approved tariff attached hereto as Appendix A, are approved to become effective for all service rendered on and after April 9, 2010.

IT IS FURTHER ORDERED that within thirty days of the date of this order the District shall file with the Commission an original and six copies of the revised tariff attached hereto as Appendix A.

IT IS FURTHER ORDERED that on entry of this order this case shall be removed from the Commission docket of open cases.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this order by electronic service on all parties of record who have filed an e-service agreement, by United States First Class Mail on all parties of record who have not filed an e-service agreement, and on Staff by hand delivery.

A True Copy. Testes:

  
Sandra Squire  
Executive Secretary

JJW/slc  
091915ca.wpd

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
CASE NO. 09-1915-PSD-42T-PC

APPROVED RATES

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for general domestic, commercial and industrial service.

RATES (customers with a metered water supply)

\$12.71 per thousand gallons of metered water usage

MINIMUM CHARGE

No bill will be rendered for less than \$31.78 per month.

FLAT RATE CHARGE (customers with non-metered water supply)

Equivalent of 4,500 gallons of water usage, \$57.20 per month.

MULTIPLE OCCUPANCY

For unmetered trailer parks, the monthly charge for services shall be equal to the number of units multiplied by the unmetered charge provided above.

TRANSPORTATION CHARGE

A monthly charge of \$1,009 per month will be imposed upon the City of Charles Town for reimbursement of fixed debt associated with lift stations needed to transport Charles Town's sewage from the former Sanitary Associates service area. The charge will be imposed until the indebtedness is satisfied. In addition to the monthly charge of \$1,009, a transportation charge of \$1.65 per thousand gallons shall apply to all flows from the former Sanitary Associates area.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant:

A tap fee of \$250.00 will be charged to customers applying for service outside of a certificate proceeding before the Commission for each new tap to the system.

DISCONNECT - RECONNECT FEES

Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement with the City of Charleston Town, a disconnection fee of \$10.00 shall be charged. Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement with Jefferson Utilities, Inc., a disconnection fee of \$20.00 shall be charged.

Whenever water service, which has been previously disconnected or otherwise withheld for non-payment of a sewer bill in conjunction with a water service termination agreement with the City of Charleston Town is reconnected, a reconnection fee of \$10.00 shall be charged. Whenever water service, which has been previously disconnected or otherwise withheld for non-payment of a sewer bill in conjunction with a water service termination agreement with Jefferson Utilities, Inc., is reconnected, a reconnection fee of \$20.00 shall be charged.

LEAK ADJUSTMENT INCREMENT

\$4.82 per M gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate is used to calculate consumption above the customer's historical usage.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the sewer utility up to a maximum of \$25.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

CAPITAL IMPROVEMENT FEE

As used in this section, a "Developer" is defined as "a person, corporation, or entity who is in the business of land and/or commercial or housing development for profit, or a person, corporation, or entity who requests an alternate main line extension that includes the installation of mains by the person, corporation or entity."

As used in this section, a "Previously Developed Tract" is defined as property previously subdivided for commercial or housing development, for profit.

On and after January 14, 2009, Developers and resale customers (in instances of developer connections), and those seeking a new sewer connection for a Previously Developed Tract shall pay to the District a capital improvement fee (CIF) for connections made to the sewer system of an unserved structure or facility. For Developers and those seeking a new sewer connection for a Previously Developed Tract, the CIFs are due as of the date of the entry into the final sewer availability agreement with the Jefferson County Public Service District. For resale customers making developer connections, the CIF is due the month following the date a new

customer of the District's resale customer to which the CIF is applicable connects to the facilities of the District's resale customer.

The capital improvement fee shall be \$7,500.00 per equivalent dwelling unit (EDU). Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth below.

#### CAPITAL ASSURANCE FEE

Developers, those seeking to assure capacity for a Previously Developed Tract, and resale customer of the District (in instances of developer connections) may execute a Capacity Assurance Agreement (CAA) and pay a Capital Assurance Fee (CAF) to the District in the amount of \$7,500.00 per EDU. Execution of the CAA and payment of the CAF shall entitle the payee to a reservation of capacity as provided in the CAA.

At such time as the reserved capacity is called upon by the entity paying a CAF, the CAF will be treated by the District as a credit, without interest, against the District's then effective CIF. Subject to this credit, entities that have paid a CAF remain responsible for payment of the District's then effective CIF for construction on property identified in the CAA.



RESIDENTIAL USAGE EQUIVALENTS FOR CAPITAL IMPROVEMENT FEE

| <u>UNIT</u>                      | <u>WATER<br/>GALLONS PER DAY</u>                       | <u>RESIDENTIAL USAGE<br/>EQUIVALENT</u>              |
|----------------------------------|--------------------------------------------------------|------------------------------------------------------|
| Apartments                       | 150/unit                                               | 1.0/unit                                             |
| Bowling Alleys                   | 200/alley                                              | 1.33/alley                                           |
| Churches with kitchen            | 8/member                                               | 0.05/member                                          |
| Churches w/o kitchen             | 2/member                                               | 0.013/member                                         |
| Food Service                     | 32/seat                                                | 0.213/seat                                           |
| Fast Food Restaurant             | 35/seat                                                | 0.23/seat                                            |
| Bar & Cocktail Lounge (additive) | 2/patron                                               | 0.013/patron                                         |
| Tavern-Little or no food         | 20/seat                                                | 0.132/per seat                                       |
| Hotel                            | 120/room                                               | 0.8/per room                                         |
| Industry, sanitary               | 15/person/shift                                        | 0.1/person shift                                     |
| <b><u>Institutions:</u></b>      |                                                        |                                                      |
| Hospital                         | 250/bed                                                | 1.67/bed                                             |
| Nursing Homes                    | 150/bed                                                | 1.0/bed                                              |
| Others                           | 75/person                                              | 0.5/person                                           |
| Office Buildings                 | 15/person                                              | 0.1/person                                           |
| Laundry Self Service             | 250/washer                                             | 1.67/washer                                          |
| Mobile Home Park                 | 150/unit space                                         | 1.0/unit space                                       |
| Motels                           | 120/room                                               | 0.8/room                                             |
| Retail Stores                    | 400/toilet room                                        | 2.67/toilet room                                     |
| Residence                        | 150/residence                                          | 1.0/residence                                        |
| <b><u>School:</u></b>            |                                                        |                                                      |
| Day, no cafeteria/showers        | 15/pupil                                               | 0.1/pupil                                            |
| Day with cafeteria               | 18/pupil                                               | 0.12/pupil                                           |
| Day with cafeteria/showers       | 20/pupil                                               | 0.133/pupil                                          |
| Boarding                         | 75/pupil                                               | 0.5/pupil                                            |
| Service Station                  | 500/set of pumps                                       | 3.33/set of pumps                                    |
| Shopping Centers                 | 16/100 ft. of sales area<br>10/swimmer design capacity | 0.12/100 ft. of sales area<br>0.067/swimmer capacity |
| Swimming Pools                   | 4/car space                                            |                                                      |
| <b><u>Theaters:</u></b>          |                                                        |                                                      |
| Drive In                         | 3/seat<br>15/employee                                  | 0.0247/car space<br>0.02/seat                        |
| Others                           |                                                        | 0.02/seat                                            |
| Warehouse                        |                                                        | 0.1/employee                                         |

If a unit does not appear on this schedule, the District shall determine the EDU value of a proposed improvement in consultation with its consulting engineer.

\$1,895,000  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

GENERAL CERTIFICATE OF ISSUER ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. PUBLIC SERVICE COMMISSION APPROVAL
5. AWARD OF 2010 SERIES A BONDS; SIGNATURES
6. DELIVERY AND PAYMENT
7. CERTIFICATION OF DOCUMENTS
8. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
9. MEETINGS, ETC.
10. INCUMBENCY AND OFFICIAL NAME
11. RATES
12. CERTIFICATE OF DETERMINATION
13. BOND RESOLUTION
14. PURCHASE CONTRACT
15. ESCROW FUNDS; DEFEASANCE OF BONDS TO BE REFUNDED
16. CERTIFICATIONS OF ISSUER
17. DESIGNATION OF REGISTRAR, PAYING AGENT, ESCROW AGENT AND DEPOSITORY BANK
18. IRS INFORMATION RETURN
19. SPECIMEN 2010 SERIES A BONDS
20. RELIANCE

On this the 24th day of June, 2010, we, the undersigned ACTING CHAIRMAN and SECRETARY of Jefferson County Public Service District, Jefferson County, West Virginia (the "Issuer"), and the undersigned COUNSEL for the Issuer, hereby certify in connection with the \$1,895,000 aggregate principal amount of the Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, 2010 Series A (the "2010 Series A Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meanings set forth in the bond resolution of the Issuer duly adopted April 6, 2010, as supplemented by the supplemental resolution of the Issuer duly adopted on June 18, 2010 (collectively, the "Resolution"), and the Purchase Contract dated June 17, 2010 (the "Purchase Contract"), by and between the Issuer and the Underwriter.

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining, or affecting in any manner the issuance and delivery of the

2010 Series A Bonds, or the collection of the Net Revenues of the System or the pledge thereof to the payment of the principal of and interest on the 2010 Series A Bonds, nor in any manner questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the 2010 Series A Bonds, nor in any manner affecting the validity, due authorization or enforceability of the 2010 Series A Bonds, the Resolution, the Escrow Agreement, the Purchase Contract, the Official Statement or any agreement or instrument relating thereto, used or contemplated by the Purchase Contract or any provisions made or authorized for the payment of the 2010 Series A Bonds, nor in any manner questioning the valid existence of the Issuer or the authority or titles of the Chairman, Acting Chairman, Secretary or Treasurer, the members of the public service board of the Issuer, to their respective offices nor in any manner questioning any proceeding, procedure, or action, taken or done in connection with the issuance, sale and delivery of the 2010 Series A Bonds or the refunding and payment of the Bonds to be Refunded which is not set forth in the Official Statement relating to the 2010 Series A Bonds.

3. GOVERNMENTAL APPROVALS: All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the 2010 Series A Bonds, have been duly and timely obtained and remain in full force and effect.

4. PUBLIC SERVICE COMMISSION APPROVAL: By Commission Order entered May 20, 2010, in Case No. 10-0328-PSD-PC, the Public Service Commission of West Virginia has approved the issuance of the 2010 Series A Bonds for the purpose of refunding the Bonds to be Refunded. The time for appeal of such Final Order has expired prior to the date hereof without any appeal.

5. AWARD OF 2010 SERIES A BONDS; SIGNATURES: The 2010 Series A Bonds were awarded to Crews & Associates, Inc. (the "Underwriter"), upon a negotiated basis at the price of \$1,837,006.95 (par amount of 2010 Series A Bonds, less underwriter's discount of \$47,375,000, less original issue discount of \$10,618.05). As of the date hereof, the 2010 Series A Bonds were duly signed by the manual signature of the Acting Chairman of the Issuer, and the official seal of the Issuer, which seal is impressed upon this Certificate, was impressed thereon and attested by the manual signature of the Secretary of the Issuer.

6. DELIVERY AND PAYMENT: The undersigned Acting Chairman did, on the date hereof, deliver to the Underwriter, the entire issue of the 2010 Series A Bonds, in various denominations and numbered AR-1 to AR-7, inclusive. At the time of delivery of the 2010 Series A Bonds, there was paid to the Issuer (or others, on behalf of the Issuer) the agreed price therefore as follows:

|                               |                  |
|-------------------------------|------------------|
| Par Amount                    | \$1,895,000.00   |
| Less: Original Issue Discount | ( 10,618.05)     |
| Less: Underwriter's Discount  | <u>47,375.00</u> |
| Total                         | \$1,837,006.95   |

7. CERTIFICATION OF DOCUMENTS: There are delivered herewith true, correct and complete copies of the following documents, all of which remain in full force and effect and have not been amended, modified, supplemented, rescinded or repealed unless changed by the terms of other documents listed below:

Bond Resolution

Supplemental Resolution

Certificate of Determination

Public Service Commission Orders

County Commission Orders Relating to Creation of District

County Commission Orders Appointing Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution

Excerpt of Minutes on Adoption of Supplemental Resolution

Verification Report of Herman & Cormany, CPAs, A.C., Regarding Bond Yield, Escrow Yield, Sufficiency of Escrow and Savings Resulting from Refunding

Preliminary Official Statement

Official Statement

Purchase Contract

Continuing Disclosure Agreement

Preliminary Blue Sky Survey and Final Blue Sky Memorandum

8. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer or the System of the Issuer since June 15, 2010.

Upon refunding of the Bonds to be Refunded on the date hereof, there is not any indebtedness or obligation of the Issuer outstanding and unpaid or for which full and irrevocable provision for payment has not been made which has priority over or ranks on a parity with the 2010 Series A Bonds as to the sources of and security for payment, except the Prior Bonds described in the Official Statement and the Resolution. The Issuer has obtained the consent of the holders of the Prior Bonds to the issuance of the 2010 Series A Bonds on a parity with the Prior Bonds, as set forth in the Resolution. The Notes are junior and subordinate to the 2010 Series A Bonds and the Prior Bonds.

9. MEETINGS, ETC.: All actions, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the issuance of the 2010 Series A Bonds and/or operation of the System, including without limitation the imposition of rates and charges, were authorized or adopted at meetings of the public service board of the Issuer duly and regularly called and held pursuant to the Rules of Procedure of the public service board of the Issuer and all applicable statutes, including without limitation Chapter 6, Article 9A of the Official West Virginia Code of 1931, as amended, and a quorum of duly appointed, qualified and acting members of the public service board was present and acting at all times during all such meetings. All notices required to be posted or published were duly posted and published.

10. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "Jefferson County Public Service District" and it is a public service district duly created by The County Commission of Jefferson County, West Virginia and presently existing under the laws of, and a political subdivision and public utility of, the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of 3 members whose names and dates of commencement and termination of current terms of office are as follows:

| <u>Name</u>        | <u>Date of<br/>Commencement<br/>of Office</u> | <u>Date of<br/>Termination<br/>of Office</u> |
|--------------------|-----------------------------------------------|----------------------------------------------|
| James D. Cummins   | 12-13-2007                                    | 11-30-2013                                   |
| Peter L. Appignani | 12-10-2009                                    | 11-30-2015                                   |
| Joseph A. Hankins  | 12-01-2005                                    | 11-30-2011                                   |

The names of the duly elected, qualified and acting officers of the Public Service Board of the Issuer for the calendar year 2010 are as follows:

|            |                    |
|------------|--------------------|
| Chairman   | Joseph A. Hankins  |
| Secretary  | James D. Cummins   |
| Treasurer* | Peter L. Appignani |

\*On June 18, 2010, the Public Service Board held a special meeting and appointed Peter L. Appignani, as Acting Chairman for the issuance of the 2010 Series A Bonds, the minutes of which are attached hereto as Exhibit A.

The duly appointed and acting Counsel for the Issuer is James V. Kelsh, Esquire, Charleston, West Virginia.

11. RATES: The Issuer has received the Commission Order of the Public Service Commission of West Virginia entered April 7, 2010, in Case No. 09-1915-PSD-42T-PC, among other things, approving rates and charges for the services of the System and has adopted a resolution prescribing such rates and charges. The time for appeal of such Final Order has expired prior to the date hereof and no appeal therefrom has been made.

12. CERTIFICATE OF DETERMINATION: Attached as Exhibit B to this General Certificate is a copy of the Certificate of Determination of the Issuer with respect to the 2010 Series A Bonds, duly executed by an Authorized Officer of the Issuer under the Resolution. The Certificate of Determination has been compared by us with the original on file in the office of the Secretary of the Issuer, and it is a true, complete and correct copy of the original thereof and has not been amended, modified, supplemented, or repealed and is in full force and effect.

13. BOND RESOLUTION: Included in the Transcript of Proceedings as Document Number 2 is an executed copy of the Resolution approved by the Issuer, and the Resolution is identical to the copy approved by the Issuer except for those changes as have been agreed to by the Chairman as evidenced by the Chairman's signature on the Resolution. The Resolution attached to the Transcript of Proceedings as Document Number 2 is a true, complete and correct copy of the Resolution and, except by the Certificate of Determination, has not been amended, modified, supplemented or repealed and is in full force and effect.

14. PURCHASE CONTRACT: Included in the Transcript of Proceedings as Document Number 4 is an executed copy of the Purchase Contract (the "Purchase Contract") approved by the Issuer, and the Purchase Contract is identical to the copy approved by the Issuer except for those changes as have been agreed to by the Chairman as evidenced by the Chairman's signature on the Purchase Contract. The Purchase Contract attached to the Transcript of Proceedings as Document Number 4 is true, complete and a correct copy of the Purchase Contract and has not been amended, modified, supplemented or repealed and is in full force and effect.

15. ESCROW FUNDS; REFUNDING OF THE BONDS TO BE REFUNDED: Pursuant to the Verification Report, the funds on deposit in the Escrow Fund established by the Escrow Agreement between the Issuer and the West Virginia Municipal Bond Commission (the "Escrow Agent"), dated as of the date hereof, is sufficient to fully pay, when due, the Redemption Price of the Bonds to be Refunded on the Redemption Date.

16. CERTIFICATIONS OF THE ISSUER: The undersigned, on behalf of the Issuer, hereby certifies that (a) the statements and information contained in the Official Statement under the

heading "INTRODUCTION," "SOURCES AND USES OF FUNDS," "SECURITY FOR THE 2010 SERIES A BONDS," "THE SYSTEM," "LITIGATION," "FINANCIAL STATEMENTS OF THE DISTRICT," "CONTINUING DISCLOSURE," and APPENDICES A and B and are correct in all material respects and do not omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading as of the date of the Official Statement and as of the date hereof (the "Closing Date"); (b) since June 30, 2009, no material adverse change has occurred in the financial position or results of operations of the Issuer other than as set forth in or contemplated by the Official Statement; (c) no litigation, proceeding, or investigation, at law or in equity, before or by any court, any governmental agency, or any public board or body is pending or threatened (i) to restrain or enjoin the issuance or delivery of any of the 2010 Series A Bonds or the collection of revenues pledged under the Resolution, (ii) in any way contesting or affecting the authority for the issuance of the 2010 Series A Bonds or the validity of the Bond Documents to which the Issuer is a party, or (iii) in any way contesting the corporate existence or powers of the Issuer; and (d) no event affecting the Issuer or any matter described in the Official Statement has occurred since the date of the Official Statement that either makes untrue or incorrect in any material respect as of the Closing Date any material statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the material statements and information therein not misleading.

17. DESIGNATION OF REGISTRAR, PAYING AGENT, ESCROW AGENT AND DEPOSITORY BANK: The Issuer hereby confirms the appointment of The Bank of New York Mellon, Woodland Park, New Jersey, as Registrar, the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Escrow Agent and Paying Agent, and MVB Bank, Charles Town, West Virginia, as Depository Bank.

18. IRS INFORMATION RETURN: On the date hereof, the undersigned Chairman did officially sign a properly completed IRS Form 8038-G and will cause such executed Form 8038-G to be filed in a timely manner with the Internal Revenue Service Center, Philadelphia, Pennsylvania. The information set forth in such Form 8038-G is true, correct and complete in all respects.

19. SPECIMEN 2010 SERIES A BONDS: Delivered concurrently herewith is a true and accurate specimen of the 2010 Series A Bonds.

20. RELIANCE: The undersigned acknowledge that it is intended that interest on the 2010 Series A Bonds be exempt from federal income tax in the hands of the owners thereof, that the firm of Spilman Thomas & Battle, PLLC is rendering opinions on the date hereof to said effect with respect to other matters, and that, in rendering said opinions, said firm is relying, among other things, upon the statements made herein. Said firm is entitled to rely upon such statements.

[Signature Page Follows]

WITNESS our signatures and the official corporate seal of the JEFFERSON COUNTY  
PUBLIC SERVICE DISTRICT on the date first written above.

[CORPORATE SEAL]

Signature

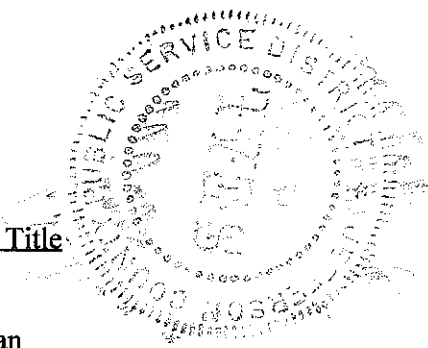
Pete L. [Signature]  
J. D. [Signature]

Official Title

Chairman

Secretary

Attorney for Issuer





WITNESS our signatures and the official corporate seal of the JEFFERSON COUNTY  
PUBLIC SERVICE DISTRICT on the date first written above.

[CORPORATE SEAL]

Signature

Official Title

Chairman

Secretary

Attorney for Issuer

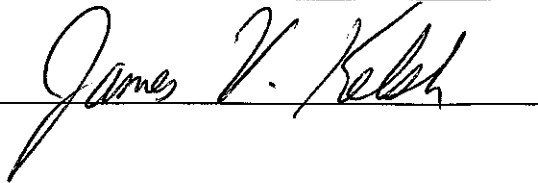
A handwritten signature in cursive script, reading "James V. Kelly", is written over a horizontal line. The signature is dark and fluid, with the first name "James" and last name "Kelly" clearly legible.

EXHIBIT A

(See Tab 18b)

EXHIBIT B

(See Tab 3)

**\$1,895,000**  
**JEFFERSON COUNTY PUBLIC SERVICE DISTRICT**  
**SEWER REFUNDING REVENUE BONDS, 2010 SERIES A**

**TAX CERTIFICATE**

On this 24th day of June, 2010, the undersigned Peter L. Appignani, Treasurer/Acting Chairman of the Public Service Board of Jefferson County Public Service District in Jefferson County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of \$1,895,000 Jefferson County Public Service District Sewer Refunding Revenue Bonds, 2010 Series A (the "Bonds"), hereby certifies as follows:

1. I am one of the officers of the Issuer duly charged with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances and estimates herein certified and duly authorized to execute and deliver this certificate on behalf of the Issuer. All capitalized words and terms used in this Certificate and not otherwise defined herein shall have the same meaning set forth in the Resolution duly adopted by the Public Service Board of the Issuer on April 6, 2010 (the "Resolution").

2. This certificate may be relied upon as the certificate of the Issuer.

3. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on June 24, 2010, the date on which the Bonds are being physically delivered in exchange for \$1,895,000, the principal amount of the Bonds. To the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

4. The Issuer hereby covenants that it shall not take, or permit or suffer to be taken, any action with respect to the use of the proceeds of the Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (collectively, the "Code"). The Issuer hereby covenants to take all actions necessary to comply with such covenant.

5. The Bonds were sold on June 24, 2010 to the Underwriter, pursuant to a Purchase Contract dated June 17, 2010 by and between the Issuer and the Underwriter for an aggregate purchase price of \$1,837,006.95 (representing par value less an underwriting discount of \$47,375, and original issue discount of \$10,618.05). No accrued interest has been or will be paid on the Bonds.

6. The Bonds are being delivered simultaneously with the delivery of this certificate and are issued to (i) currently refund all of the Issuer's outstanding Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,245,000 of which \$1,885,000 is presently outstanding (the "Bonds to be

Refunded"); (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance of the Bonds and other costs in connection with such refunding.

7. Within 30 days after the delivery of the Bonds, the Issuer shall enter into agreements which require the Issuer to expend at least 5% of the net sale proceeds of the Bonds, constituting a substantial binding commitment. With the exception of proceeds deposited in the reserve account for the Bonds, if any, all of the proceeds from the sale of the Bonds, together with any investment earnings thereon, will be expended for payment of costs of refunding the bonds and paying costs of issuance on or before August 24, 2010.

8. The total cost of currently refunding the Bonds to be Refunded (including all costs of issuance of the Bonds) is estimated at \$2,147,309.48. Sources and uses of funds are as follows:

SOURCES

|                                     |                       |
|-------------------------------------|-----------------------|
| Proceeds of the Bonds               | \$1,895,000           |
| Series 1998 A Bonds Reserve Account | \$162,911.46          |
| Series 1998 A Bonds Sinking Fund    | \$100,016.07          |
| Original Issue Discount             | <u>(\$ 10,618.05)</u> |
| Total Sources                       | \$2,147,309.48        |

USES

|                                |                     |
|--------------------------------|---------------------|
| Escrow Fund                    | \$1,907,818.54      |
| 2010 Series A Reserve Account  | \$ 153,856.26       |
| Underwriter's Discount         | \$ 47,375.00        |
| Cost of Issuance of the Bonds* | <u>\$ 38,259.68</u> |
| Total Uses                     | \$2,147,309.48      |

\* Includes \$3,259.68 rounding amount.

9. Pursuant to Article IV of the Resolution, the following special funds or accounts have been created or continued if previously established by the Prior Resolution, relative to the Bonds:

- (1) Revenue Fund (established by the 1998 Resolution);
- (2) Renewal and Replacement Fund (established by the 1998 Resolution);
- (3) Costs of Issuance Fund, and
- (4) Rebate Fund.
- (5) 2010 Series A Bonds Sinking Fund;
- (6) Within the 2010 Series A Bonds Sinking Fund, the 2010 Series A Bonds Reserve Account; and
- (7) Within the 2010 Series A Bonds Sinking Fund, the 2010 Series A Bonds Redemption Account.

10. Pursuant to Article III of the Resolution, the proceeds of the Bonds will be deposited as follows:

A. All interest accrued, if any, on the 2010 Series A Bonds from the date thereof to the date of delivery thereof shall be deposited in the 2010 Series A Bonds Sinking Fund and applied to payment of interest on the 2010 Series A Bonds on the first Interest Payment Date.

B. An amount of the proceeds of the 2010 Series A Bonds which together with other moneys or securities deposited therein and the earnings thereon, shall be sufficient to accomplish the refunding of the Bonds to be Refunded (which amount shall be set forth in the Escrow Agreement) shall be deposited in the Escrow Deposit Fund.

C. An amount of the proceeds of the 2010 Series A Bonds equal to the 2010 Series A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the 2010 Series A Bonds Reserve Account; provided that, to the extent the 2010 Series A Bonds Reserve Requirement is satisfied in whole or in part from proceeds of any fund or account established for the Bonds to be Refunded pursuant to the 1998 Resolution, proceeds of the 2010 Series A Bonds shall be deposited in the 2010 Series A Bonds Reserve Account only to the extent needed to satisfy the balance of the 2010 Series A Bonds Reserve Requirement.

D. An amount of the proceeds of the 2010 Series A Bonds which shall be sufficient to pay all costs of issuance shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the 2010 Series A Bonds and miscellaneous costs of refunding the Bonds to be Refunded at the written direction of the Issuer. All such costs of issuance shall be paid within 60

days of the Closing Date. Moneys not to be applied immediately to pay such costs of issuance and refunding may be invested in accordance with this Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the 2010 Series A Bonds Redemption Account. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such money until so applied in favor of the Holders of the 2010 Series A Bonds.

E. The balance of any proceeds of the 2010 Series A Bonds and any moneys in any fund or account established for the Bonds to be Refunded pursuant to the 1998 Resolution, not used for any of the purposes set forth above, shall be deposited in the 2010 Series A Bonds Redemption Fund and applied to redeem the 2010 Series A Bonds on the first redemption date. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such moneys until so applied in favor of the Holders of the 2010 Series A Bonds.

11. Moneys held in the 2010 Series A Bonds Sinking Fund will be used solely to pay principal of and interest, if any, on the Bonds. All investment earnings on moneys in the 2010 Series A Bonds Reserve Account (if equal to the 2010 Series A Bonds Reserve Requirement) will be withdrawn therefrom, not less than once each year, will be deposited in the 2010 Series A Bonds Sinking Fund, and such amounts will be applied as set forth in the Resolution.

12. The Issuer will take such steps to ensure that the Bonds meet the requirements of the Code.

13. With the exception of the amount deposited in the 2010 Series A Bonds Sinking Fund for payment of interest, if any, on the Bonds and the amount deposited in the 2010 Series A Bonds Reserve Account, if any, all of the proceeds of the Bonds will be expended on the refunding of the Bonds to be Refunded on the Redemption Date and the costs of issuance within 60 days after the date of issuance thereof.

14. The amount designated as costs of issuance of the Bonds consists only of costs which are directly related to and necessary for the issuance of the Bonds.

15. The Issuer does not expect to sell or otherwise dispose of the System in whole or in part prior to the last maturity date of the Bonds.

16. All property financed with the proceeds of the Bonds will be owned and held by (or on behalf of) a qualified governmental unit.

17. No proceeds of the Bonds will be used, directly or indirectly, in any trade or business carried on by any person who is not a governmental unit.

18. The original proceeds of the Bonds will not exceed the amount necessary for the purposes of the issue.

19. The Issuer shall use the Bonds proceeds solely for the costs of refunding the Bonds to be Refunded and costs associated therewith and the System will be operated solely for a public purpose as a local governmental activity of the Issuer.

20. The Bonds are not federally guaranteed.

21. The Issuer has retained the right to amend the Resolution authorizing the issuance of the Bonds if such amendment is necessary to assure that the Bonds remain public purpose bonds.

22. The Issuer has either (a) funded the 2010 Series A Bonds Reserve Account at the maximum amount of principal and interest which will mature and become due on the Bonds in the then current or any succeeding year with the proceeds of the Bonds, or (b) created the 2010 Series A Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such 2010 Series A Bonds Reserve Account holds an amount equal to the maximum amount of principal and interest which will mature and become due on the Bonds in the then current or any succeeding year. Moneys in the 2010 Series A Bonds Reserve Account and the 2010 Series A Bonds Sinking Fund will be used solely to pay principal of and interest, if any, on the Bonds and will not be available to pay costs of the refunding.

23. There are no other obligations of the Issuer which (a) are to be issued at substantially the same time as the Bonds, (b) are to be sold pursuant to a common plan of financing together with the Bonds and (c) will be paid out of substantially the same sources of funds or will have substantially the same claim to be paid out of substantially the same sources of funds as the Bonds.

24. To the best of my knowledge, information and belief, there are no other facts, estimates and circumstances which would materially change the expectations herein expressed.

25. The Issuer will comply with instructions as may be provided by the Authority, at any time, regarding use and investment of proceeds of the Bonds, rebates and rebate calculations.

26. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and has covenanted that it does not reasonably expect to issue more than \$30,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligations) during the calendar year 2010. Therefore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.




27. To the best of my knowledge, information and belief, the foregoing expectations are reasonable.

[SIGNATURE FOLLOWS]

WITNESS my signature on the date first written above.

JEFFERSON COUNTY PUBLIC SERVICE  
DISTRICT

By:   
Its: Treasurer

\$1,895,000  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, SERIES 2010 A

UNDERWRITER'S CERTIFICATE

The undersigned Gregory Isaacs, Senior Managing Director of Crews & Associates, Inc. (the "Underwriter"), for and on behalf of the Underwriter, as purchaser of the above-captioned Bonds (the "Bonds"), hereby certifies that:

(a) At least 10% of each maturity of the Bonds have been the subject of an initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), made pursuant to the Purchase Contract dated June 17, 2010, by and between Jefferson County Public Service District (the "Issuer") and the Underwriter, at initial offering prices no higher than, or yields no lower than, those shown on the cover of the Official Statement dated June 21, 2010, relating to the Bonds. We have made a bona fide public offering of all Bonds at the public offering price. At the time we agreed to purchase the Bonds, based upon our assessment of the then prevailing market conditions, we had no reason to believe any of the Bonds would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices or yields less than the yields, shown on the cover of the Official Statement.

(b) The level of funding of the 2010 Series A Bonds Reserve Account established by the Resolution authorizing issuance of the Bonds is reasonable and necessary because such an amount is required as a condition to marketing the Bonds at the interest rates and with the maturities established for the Bonds. Such amount was determined to be necessary to reduce the probability of the default on the Bonds due to a temporary decrease in revenues or increase in operating expenses. The amount to be maintained in the 2010 Series A Bonds Reserve Account is equal to the maximum annual debt service on the Bonds and is less than 10% of the face amount of the Bonds, and is less than 125% of the average annual debt service on the Bonds.

(c) The weighted average maturity of the Bonds is 10.738 years.

(d) The remaining weighted average maturity of the Bonds to be Refunded is 10.773 years.

(e) The net interest cost on the Bonds is 4.4001267% and the yield on the Bonds is 4.1569751%.

(f) This certificate may be relied upon by the Issuer with respect to completion of its Tax Certificate and IRS Form 8038-G relating to the Bonds, and by Spilman Thomas & Battle, PLLC, in rendering their tax opinion with respect to the Bonds.

Dated this 24th day of June, 2010.

CREWS & ASSOCIATES, INC.

By:   
Its: Senior Managing Director

\$1,895,000  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

REGISTRAR'S CERTIFICATE

The Bank of New York Mellon, Paterson, New Jersey (the "Bank"), as Registrar for the above-captioned Bonds (the "Bonds"), hereby certifies as follows, all capitalized terms used herein to have the same meanings set forth in the Resolution of Jefferson County Public Service District (the "Issuer") adopted April 6, 2010 (the "Resolution"):

1. The Bank is a New York state banking corporation duly organized, validly existing, and in good standing under the laws of the United States of America, may lawfully conduct business in West Virginia, is lawfully empowered pursuant to such laws to accept the duties and obligations contemplated under the Resolution and to serve in the capacity of Registrar as provided under the Resolution.

2. The Bank has duly authorized, by all necessary action, the authentication of the Bonds and the execution and delivery of this Certificate and the acceptance of all duties of Registrar under the Resolution, and any and all other documents and agreements as may be required to be executed, delivered and received by the Bank in order to carry out, give effect to, and consummate the transactions contemplated thereby.

3. The person indicated in paragraph 4 below was at the time of the authentication of the Bonds, and is now, a duly elected, qualified and acting incumbent in his or her office; and, pursuant to authorization from the Board of Directors of the Bank, as evidenced by its corporate resolution, a true and accurate copy of the applicable excerpt of which is attached as Exhibit A hereto, such person, in his or her official capacity, was and is authorized to authenticate the Bonds for and on behalf of the Bank.

4. Appearing opposite the name and title of the person indicated below is a true and correct specimen of his or her signature.

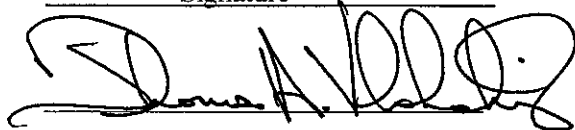
\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Signature

Thomas A. Vlahakis

Vice President



5. There have been filed with the Bank all of the documents listed in Section 3.12 of the Resolution; the Bonds have been duly authenticated and delivered to the Original Purchaser, and proceeds of the Bonds have been deposited as required by the Resolution.

6. Attached hereto as Exhibit B is a correct listing of the Bond numbers, CUSIP numbers, maturity dates, principal amounts, interest rates and yields of the Bonds.

[Signature Page Follows]

WITNESS my signature on this 24th day of June, 2010.

THE BANK OF NEW YORK MELLON

By: \_\_\_\_\_



**DAVID J. O'BRIEN**

Its: \_\_\_\_\_

**VICE PRESIDENT**

EXHIBIT A – CORPORATE RESOLUTION OF BANK



*State of New York*  
*Banking Department*

I, REGINA A. STONE, Deputy Superintendent of Banks of the State of New York,  
DO HEREBY CERTIFY:

THAT, the records in the Office of the Superintendent of Banks indicate that THE BANK OF NEW YORK MELLON is a corporation organized by Special Act of the New York State Legislature, Chapter 616 of the Laws of 1871, under the name "MUTUAL BENEFIT LIFE POLICY LOAN AND TRUST COMPANY OF NEW YORK"; and

THAT, THE BANK OF NEW YORK MELLON is authorized to transact a trust and banking business in the State of New York and is operating under the supervision of this Department in accordance with Article III of the New York State Banking Law; and

THAT, there were subsequent changes of its corporate title to COMMERCIAL TRUST COMPANY in 1884 and to NEW YORK AND LONDON TRUST COMPANY in 1900. Chapter 356 of the Laws of 1904 placed NEW YORK AND LONDON TRUST COMPANY under the supervision of the Superintendent of Banks. On October 28, 1905 the name was changed to COLUMBIA TRUST COMPANY; and

THAT, on June 5, 1912 the name was changed to COLUMBIA-KNICKERBOCKER TRUST COMPANY by merger of KNICKERBOCKER TRUST COMPANY into COLUMBIA TRUST COMPANY; and

THAT, effective August 1, 1914, the name was changed from COLUMBIA-KNICKERBOCKER TRUST COMPANY to COLUMBIA TRUST COMPANY by Order of Court, a certified copy of which was filed in the Office of the Superintendent of Banks on June 23, 1914; and

THAT, on February 7, 1923 the name was changed to IRVING BANK-COLUMBIA TRUST COMPANY by merger of IRVING BANK, NEW YORK into COLUMBIA TRUST COMPANY; and

THAT, on September 17, 1926 the name was changed to IRVING BANK AND TRUST COMPANY by merger of NATIONAL BUTCHERS & DROVERS BANK OF THE CITY OF NEW YORK into IRVING BANK-COLUMBIA TRUST COMPANY; and

*State of New York*  
*Banking Department*

**THAT, on December 11, 1926 the name was changed to AMERICAN EXCHANGE IRVING TRUST COMPANY by merger of THE AMERICAN EXCHANGE-PACIFIC BANK into IRVING BANK AND TRUST COMPANY; and**

**THAT, the name was changed to IRVING TRUST COMPANY by a Certificate filed in the Office of the Superintendent of Banks on February 1, 1929; and**

**THAT, the name was changed from IRVING TRUST COMPANY to THE BANK OF NEW YORK on October 6, 1989, by absorbing THE BANK OF NEW YORK; and**

**THAT, the following amendments to its charter were filed in the Office of the Superintendent of Banks as of the dates specified:**

**Certificate Changing Name of NEW YORK AND LONDON TRUST COMPANY to COLUMBIA TRUST COMPANY - filed October 31, 1905**

**Agreement of Merger of KNICKERBOCKER TRUST COMPANY into COLUMBIA TRUST COMPANY under the name of COLUMBIA-KNICKERBOCKER TRUST COMPANY - filed June 5, 1912**

**Verified transcript of Proceedings to Increase Number of Directors - filed July 10, 1912**

**Supreme Court Order Directing Change of Name of COLUMBIA-KNICKERBOCKER TRUST COMPANY to COLUMBIA TRUST COMPANY - filed June 23, 1914**

**Certificate of Increase of the Amount of Capital Stock - filed December 4, 1916**

**Certificate of Increase of the Amount of Capital Stock - filed January 30, 1923**

**Agreement of Merger of IRVING BANK, NEW YORK into COLUMBIA TRUST COMPANY under the name of IRVING BANK-COLUMBIA TRUST COMPANY - filed February 7, 1923**

*State of New York*  
*Banking Department*

*Certificate of Increase of the Amount of Capital Stock - filed  
September 17, 1926*

*Agreement of Merger of THE NATIONAL BUTCHERS &  
DROVERS BANK OF THE CITY OF NEW YORK into  
IRVING BANK-COLUMBIA TRUST COMPANY under  
the name of IRVING BANK AND TRUST COMPANY -  
filed September 17, 1926*

*Certificate of Increase of the Amount of Capital Stock - filed  
December 2, 1926*

*Agreement of Merger of THE AMERICAN EXCHANGE-  
PACIFIC BANK into IRVING BANK AND TRUST  
COMPANY under the name of AMERICAN EXCHANGE  
IRVING TRUST COMPANY - filed December 11, 1926*

*Certificate of Increase of the Amount of Capital Stock - filed June  
15, 1928*

*Certificate of Increase of Number of Directors - filed  
January 9, 1929*

*Certificate of Change of Name of AMERICAN EXCHANGE  
IRVING TRUST COMPANY to IRVING TRUST  
COMPANY - filed February 1, 1929*

*Certificate of Increase of the Amount of Capital Stock, Reduction of  
Par Value of Shares and Increase of Number of Shares - filed April  
17, 1929*

*Certificate of Decrease of Number of Directors - filed  
January 22, 1932*

*Certificate of Decrease of Number of Directors - filed  
January 17, 1934*

*Certificate of Change of Provisions Relating to the Number of  
Directors - filed January 19, 1938*

*State of New York*  
*Banking Department*

*Certificate of Amendment of Certificate of Incorporation to Increase Capital Stock - filed January 30, 1958*

*Certificate of Amendment of Certificate of Incorporation to Increase Capital Stock - filed January 29, 1959*

*Certificate of Amendment of Certificate of Incorporation to Increase Capital Stock - filed January 28, 1960*

*Certificate of Amendment of Certificate of Incorporation to Increase Capital Stock - filed January 26, 1961*

*Certificate of Amendment of Certificate of Incorporation to Increase Capital Stock - filed February 1, 1962*

*Certificate of Amendment of Certificate of Incorporation to Increase Capital Stock - filed January 31, 1963*

*Certificate of Amendment of Certificate of Incorporation to Increase Capital Stock - filed January 30, 1964*

*Certificate of Amendment of the Organization Certificate to Increase Capital Stock - filed March 29, 1965*

*Certificate of Amendment of the Organization Certificate to Increase Capital Stock - filed August 11, 1966*

*Certificate of Amendment of the Organization Certificate to Increase Capital Stock - filed August 2, 1967*

*Certificate of Amendment of the Organization Certificate to Increase Capital Stock - filed January 17, 1968*

*Certificate of Amendment of the Organization Certificate to Increase Capital Stock - filed February 25, 1972*

*Certificate of Amendment of the Organization Certificate to Increase Capital Stock - filed October 31, 1977*

*State of New York*  
*Banking Department*

*Certificate of Amendment of the Organization Certificate for a change in the number of Directors - filed September 17, 1979*

*Certificate of Amendment of the Organization Certificate to Increase Capital Stock - filed December 28, 1979*

*Certificate of Amendment of the Organization Certificate to Increase Capital Stock - filed June 3, 1981*

*Certificate of Amendment of the Organization Certificate to Increase Capital Stock - filed December 22, 1982*

*Certificate of Amendment of the Organization Certificate to Increase Capital Stock - filed March 4, 1988*

*Certificate of Amendment of the Organization Certificate to Increase Capital Stock - filed April 21, 1988*

*Certificate of Effectiveness of (the merger and) change of name of IRVING TRUST COMPANY to THE BANK OF NEW YORK, when THE BANK OF NEW YORK merged into IRVING TRUST COMPANY - filed October 6, 1989*

*Certificate of Amendment of the Organization Certificate to increase Capital Stock - filed December 30, 1991*

*Certificate of Amendment of the Organization Certificate to increase Capital Stock - filed December 31, 1992*

*Certificate of Amendment of the Organization Certificate to increase Capital Stock - filed November 20, 1996*

*Certificate of Effectiveness providing for the merger of BNY MELLON INTERIM INSTITUTIONAL NATIONAL BANK, with and into THE BANK OF NEW YORK, under the name THE BANK OF NEW YORK MELLON – filed July 1, 2008*

*State of New York*  
*Banking Department*

*Certificate of Effectiveness providing for the mergers of MELLON SECURITIES TRUST COMPANY and THE DREYFUS TRUST COMPANY, with and into THE BANK OF NEW YORK, under the name THE BANK OF NEW YORK MELLON – filed July 1, 2008; and*

*THAT, no amendments to its Organization Certificate have been filed in the Office of the Superintendent of Banks except those set forth above; and*

*I DO FURTHER CERTIFY THAT, THE BANK OF NEW YORK MELLON, the principal office of which is located at One Wall Street, New York, New York, is a continuation of the entity and identity of "MUTUAL BENEFIT LIFE POLICY LOAN AND TRUST COMPANY OF NEW YORK," and has not been dissolved.*

*WITNESS, my hand and official seal of the Banking Department at the City of New York, this 7<sup>th</sup> day of May in the Year two thousand and ten.*

  
Deputy Superintendent of Banks

**GLOBAL CORPORATE TRUST**  
**OFFICIAL SIGNING AUTHORITY**

I hereby certify that the following individuals have been granted the signing authority noted next to their names pursuant to Article 6, Section 6.2 and Section 6.3 of the By-Laws of The Bank of New York Mellon:

| NAME                  | TITLE                    |
|-----------------------|--------------------------|
| <b>Section 6.2 X</b>  |                          |
| Adelson, Melissa      | Managing Director        |
| Amankwah, Andrews     | Vice President           |
| Aubry, Barbara        | Managing Director        |
| Avizov, Arthur        | Managing Director        |
| Bush, Gary S.         | Vice President           |
| Duffy, Joseph         | Managing Director        |
| Feig, Martin          | Vice President           |
| Flowerday, Robert     | Vice President           |
| Fudali, Harold        | Managing Director        |
| Gagliardo, John       | Managing Director        |
| Griffin, Robert L.    | Managing Director        |
| Guiliano, John M.     | Vice President           |
| Hatton, Matthew John  | Managing Director        |
| Lew, Gary             | Managing Director        |
| Lundberg, Loretta A.  | Managing Director        |
| Lynch, Jocelyn M.     | Managing Director        |
| Magnolia, Douglas J.  | Managing Director        |
| Maitland, James W.    | Managing Director        |
| Nunes Jr, Antonio A.  | Managing Director        |
| O'Neal, Stephen       | Managing Director        |
| Palladino, Mauro      | Managing Director        |
| Randall, Michael      | Vice President           |
| Sabatino, Michael     | Managing Director        |
| Shields, Laura M.     | Managing Director        |
| Spedding, John A.     | Managing Director        |
| Tadie, Patrick J.     | Executive Vice President |
| Thomson, Michael J.S. | Managing Director        |
| Valentine, Melinda    | Vice President           |
| <b>Section 6.3 A</b>  |                          |
| Campbell, Edward      | Senior Associate         |
| Costantino, Richard   | Managing Director        |
| Courcey, Erin         | Managing Director        |
| Cunningham, Peter H.  | Vice President           |
| Dale, Nicola          | Vice President           |
| Dunthorne, Peter      | Vice President           |
| Elsen, Maria          | Vice President           |
| Giurlando, Stephen J. | Vice President           |
| Harchuck, John        | Vice President           |
| Herrera, Hector S.    | Vice President           |
| Howard, Peter A.      | Vice President           |
| MacInnes, Douglas     | Managing Director        |
| McIntyre, Robert F.   | Vice President           |
| Ng, Agnes Yuen Ting   | Vice President           |
| O'Leary, Patrick J.   | Vice President           |
| Patel, Sonal          | Vice President           |
| Peterkin, Christine   | Vice President           |
| Polito, John C.       | Vice President           |

# GLOBAL CORPORATE TRUST

## OFFICIAL SIGNING AUTHORITY

I hereby certify that the following individuals have been granted the signing authority noted next to their names pursuant to Article 6, Section 6.2 and Section 6.3 of the By-Laws of The Bank of New York Mellon:

| NAME                            | TITLE             |
|---------------------------------|-------------------|
| Quek, Hwee-Choo                 | Vice President    |
| Robinson, Craig                 | Vice President    |
| Rodgers, Jackie                 | Vice President    |
| Rodriguez, Miguel               | Vice President    |
| Safer, David                    | Vice President    |
| San Miguel-Cruicksh, Caroline A | Vice President    |
| Sperandio, Michela              | Vice President    |
| Stout, Sarah                    | Vice President    |
| Strakosch, Christopher          | Vice President    |
| Thorson, Robert                 | Vice President    |
| Tinnelly, Breige                | Vice President    |
| Veith, David                    | Senior Associate  |
| Wagstaff, Robert                | Vice President    |
| Ward, Jacqueline                | Senior Associate  |
| Wong, Winnie Wing-Sze           | Vice President    |
| <b>Section 6.3 A and J</b>      |                   |
| Abedin, Roisul                  | Senior Associate  |
| Adamis, Joanne                  | Vice President    |
| Adhikari, Dipesh                | Senior Associate  |
| Aggus, James                    | Senior Associate  |
| Ahern, Thomas                   | Managing Director |
| Alcantara, Jose                 | Senior Associate  |
| Alimchandani, Bimal             | Senior Associate  |
| Amico, Christopher              | Managing Director |
| Anin, Samuel                    | Vice President    |
| Antoine, Esther D.              | Vice President    |
| Archer-Smith, James A.          | Senior Associate  |
| Ashby, Luke                     | Senior Associate  |
| Au, Carol                       | Associate         |
| Austin, Charles                 | Senior Associate  |
| Austin, Latoya                  | Senior Associate  |
| Babb, Richard                   | Vice President    |
| Baez, Henry                     | Senior Associate  |
| Baker, Debra                    | Managing Director |
| Barger, Watson                  | Vice President    |
| Barrett, Paul                   | Vice President    |
| Barris, Giovanni                | Vice President    |
| Bartholomew, Courtney           | Vice President    |
| Bartlett, Jamie                 | Vice President    |
| Bashford, Paul A.               | Vice President    |
| Bafista, Maria                  | Senior Associate  |
| Bausa, Anthony                  | Senior Associate  |
| Belen, Fredic                   | Senior Associate  |
| Bell, David                     | Managing Director |
| Berkecz, Natalie                | Vice President    |
| Berry, Christopher              | Vice President    |
| Bershaw, Sharon                 | Vice President    |
| Bertolin, Maria                 | Vice President    |



**GLOBAL CORPORATE TRUST****OFFICIAL SIGNING AUTHORITY**

I hereby certify that the following individuals have been granted the signing authority noted next to their names pursuant to Article 6, Section 6.2 and Section 6.3 of the By-Laws of The Bank of New York Mellon:

| NAME                     | TITLE             |
|--------------------------|-------------------|
| Bharadja, Suresh J.      | Senior Associate  |
| Binnie, Kevin F.         | Vice President    |
| Birkin, Tom A.           | Vice President    |
| Blaszcyk, Anna           | Senior Associate  |
| Blewer, Alex             | Associate         |
| Blewer, Trevor R.        | Vice President    |
| Bobko, John              | Vice President    |
| Bogert, Thomas J.        | Vice President    |
| Bourlman, Anna           | Senior Associate  |
| Boutros, Pierre          | Vice President    |
| Bowley, Amy              | Senior Associate  |
| Brazier, Clare           | Senior Associate  |
| Brinkman, Amy            | Senior Associate  |
| Briones, Eugene          | Senior Associate  |
| Buckley, Tracey          | Vice President    |
| Burack, Michael          | Senior Associate  |
| Burgos, Raul             | Senior Associate  |
| Burke, Siobhan           | Vice President    |
| Burke, Timothy           | Vice President    |
| Burleigh, Sarah A.       | Vice President    |
| Burzynska, Anna          | Senior Associate  |
| Byrne, Paul              | Vice President    |
| Cabej, Mirela            | Vice President    |
| Cabrera, Hilda           | Associate         |
| Carey, Lorraine          | Vice President    |
| Carter, David            | Senior Associate  |
| Casaccio, Paul           | Senior Associate  |
| Casasnovas, Bridgette    | Vice President    |
| Casey, Timothy           | Senior Associate  |
| Cassano-Raneri, AnnMarie | Senior Associate  |
| Catania, Paul L.         | Senior Associate  |
| Cattermole, Paul         | Vice President    |
| Cave, Gregory            | Vice President    |
| Cerchio, Michael         | Vice President    |
| Cerilles, Catherine      | Vice President    |
| Chan, Shirley            | Senior Associate  |
| Chan, Su Linh Audrey     | Senior Associate  |
| Chaney, Cynthia J.       | Vice President    |
| Chang, Tae-Ho (Alex)     | Vice President    |
| Cheong, Kenneth          | Managing Director |
| Chiong, Siew Lin Angie   | Senior Associate  |
| Choi, Janie K.           | Vice President    |
| Chu, Edward              | Vice President    |
| Chu, Susan               | Vice President    |
| Chung, Tin Wan           | Vice President    |
| Chung, Won Hee           | Senior Associate  |
| Clark, Frederick W.      | Vice President    |
| Clarke, Candace T.       | Senior Associate  |
| Clarke, Cheryl           | Vice President    |

**GLOBAL CORPORATE TRUST**  
**OFFICIAL SIGNING AUTHORITY**

I hereby certify that the following individuals have been granted the signing authority noted next to their names pursuant to Article 6, Section 6.2 and Section 6.3 of the By-Laws of The Bank of New York Mellon:

| NAME                      | TITLE             |
|---------------------------|-------------------|
| Claypoole, John           | Vice President    |
| Collazo, Elizabeth        | Vice President    |
| Conway, Christine         | Vice President    |
| Cooper, Andrew M.         | Vice President    |
| Corbo, Linda              | Vice President    |
| Costantino, Joseph M.     | Vice President    |
| Cremin, Kevin             | Managing Director |
| Cronin, Jade              | Senior Associate  |
| Cross, Guy                | Managing Director |
| Crosson, Kelly            | Vice President    |
| Curti, Christopher        | Vice President    |
| Daley, Lesley             | Senior Associate  |
| Daly, Myles               | Vice President    |
| Davenport, Matthew Lynden | Vice President    |
| Davidson, Kimberly        | Vice President    |
| Dawkins, Stuart           | Vice President    |
| Day, Sally                | Senior Associate  |
| Derino, Joseph S.         | Vice President    |
| Devane, Michael           | Vice President    |
| Dicker, Daniel            | Managing Director |
| Diep, Mike T.             | Vice President    |
| Ding, Mei Ling            | Vice President    |
| Donohue, Catherine        | Vice President    |
| Eiland, Wanda             | Vice President    |
| Elsom, Mark               | Vice President    |
| Eng, Kevin                | Senior Associate  |
| Facendola, Gerard F.      | Managing Director |
| Farah, Rouba F.           | Vice President    |
| Farrell, Paul             | Vice President    |
| Faruolo, Vito             | Senior Associate  |
| Feely, Aengus             | Senior Associate  |
| Ferrera, Franca M.        | Senior Associate  |
| Ferry, Karen              | Vice President    |
| Fevola, James             | Vice President    |
| Figuera, Tammy L.         | Vice President    |
| Fischer, Jared            | Senior Associate  |
| Fletcher, Dean            | Managing Director |
| Fong, Su Ching Esther     | Vice President    |
| Fomes, Brandon            | Senior Associate  |
| French, Diane Welsh       | Vice President    |
| Frith, Deanna             | Vice President    |
| Froede, Amanda            | Senior Associate  |
| Fudge, Craig              | Senior Associate  |
| Fulling, Alan             | Vice President    |
| Fumarola, Alessandra      | Vice President    |
| Gallagher, Frank          | Vice President    |
| Geary, Lisa A.            | Vice President    |
| Genkin, Maksim            | Senior Associate  |
| Gentile, Colette R.       | Vice President    |

**GLOBAL CORPORATE TRUST**  
**OFFICIAL SIGNING AUTHORITY**

I hereby certify that the following individuals have been granted the signing authority noted next to their names pursuant to Article 6, Section 6.2 and Section 6.3 of the By-Laws of The Bank of New York Mellon:

| NAME                                | TITLE             |
|-------------------------------------|-------------------|
| George, Lloyd David                 | Vice President    |
| Gevertzman, Jason                   | Senior Associate  |
| Gilmore, Sean                       | Vice President    |
| Grace, Anthony                      | Vice President    |
| Greene, Christopher                 | Vice President    |
| Greene, Karon                       | Vice President    |
| Grell, Christopher J.               | Vice President    |
| Griffin, John                       | Vice President    |
| Grose, Christopher                  | Senior Associate  |
| Guerra, Melquides                   | Associate         |
| Gusz, Kristine                      | Senior Associate  |
| Hacker, Thomas                      | Vice President    |
| Halpin, Helen                       | Senior Associate  |
| Hancock, Melissa                    | Vice President    |
| Harris, Andrea                      | Vice President    |
| Harrison, Daniel                    | Senior Associate  |
| Harrison, Karen B.                  | Senior Associate  |
| Harvin, Beata                       | Senior Associate  |
| Haslett, Damian Andrew              | Senior Associate  |
| Hayden, Peter                       | Vice President    |
| Heery, Orta                         | Vice President    |
| Hennessey, Elaine                   | Vice President    |
| Hennessy, Margaret-Anne             | Vice President    |
| Herrmann, William                   | Vice President    |
| Hett, Glenn                         | Vice President    |
| Hewer, Wendy Frances                | Managing Director |
| Hieb, Michael C.                    | Vice President    |
| Hoey, Brian                         | Senior Associate  |
| Hollingsworth, Jeremy Gilbert Smily | Vice President    |
| Holohan, Edward                     | Vice President    |
| Huang, Pei                          | Senior Associate  |
| Hughes, Catherine                   | Senior Associate  |
| Hume, David James                   | Senior Associate  |
| Husbands, Steve Mckenley            | Vice President    |
| Hussain, Nadia                      | Senior Associate  |
| Imbach, Francesca Natasha           | Vice President    |
| Ippolito, Paolo                     | Senior Associate  |
| Iris, Joette M                      | Vice President    |
| Islam, Bina B.                      | Senior Associate  |
| Isles, Stephen J                    | Vice President    |
| Jaffe-Goser, Sharon H               | Vice President    |
| Jaklitsch, Lucia                    | Vice President    |
| Jamison, Michael L.                 | Vice President    |
| Jandu, Gurdip                       | Senior Associate  |
| Jauny, Stephane                     | Vice President    |
| Jeanes, Mark Sinclair               | Vice President    |
| Jean-Paul, Cindy                    | Senior Associate  |

**GLOBAL CORPORATE TRUST**  
**OFFICIAL SIGNING AUTHORITY**

I hereby certify that the following individuals have been granted the signing authority noted next to their names pursuant to Article 6, Section 6.2 and Section 6.3 of the By-Laws of The Bank of New York Mellon:

| NAME                     | TITLE            |
|--------------------------|------------------|
| Jehangir, Zaira          | Senior Associate |
| Jhingoor, Vincent        | Senior Associate |
| Jobanputra, Sanjay       | Vice President   |
| Johnson, George R.       | Vice President   |
| Jones, Ciaran            | Vice President   |
| Jones, Regina            | Senior Associate |
| Joseph, Maryann          | Vice President   |
| Kaczmar, Barbara         | Vice President   |
| Kateris, Kalliope E.     | Vice President   |
| Kavanagh, David          | Vice President   |
| Kehoe, Lisa              | Senior Associate |
| Kelly, James             | Senior Associate |
| Kerr Jr., David M.       | Vice President   |
| Khan, Bakhtiarul Alam    | Senior Associate |
| Khawaja, Suhail Ahmed    | Senior Associate |
| Kildea, Dennis           | Senior Associate |
| Kincaid, Francine J.     | Vice President   |
| Klein, Scott             | Vice President   |
| Ko, I-San                | Vice President   |
| Kotkin, Gregg            | Senior Associate |
| Koutsavgousti, Amneris   | Senior Associate |
| Kuhri, Jacqueline        | Senior Associate |
| Kunak, Glenn J.          | Vice President   |
| Kwok, Amy                | Senior Associate |
| LaBarbera, Joann         | Associate        |
| Lago, Edgar R            | Senior Associate |
| Laidley, Melissa Theresa | Senior Associate |
| Lam, Helen               | Senior Associate |
| Lam, Tze-Kit             | Vice President   |
| Lane, Suzanne O'Leary    | Vice President   |
| Lauro, Noraida           | Vice President   |
| Lawlor, Joseph M.        | Vice President   |
| Le Claire, David Graham  | Vice President   |
| Leahy, Charles Michael   | Vice President   |
| Leaker, Donna            | Senior Associate |
| Lee, Michael             | Senior Associate |
| Leledaki, Garyfalia      | Vice President   |
| Lewicki, Marybeth        | Vice President   |
| Lewis, Deirdre M.        | Vice President   |
| Lewis, Neil              | Vice President   |
| Li, Man-Yan              | Vice President   |
| Liu, Li-May Laura        | Vice President   |
| Loncke, Courtney F.      | Vice President   |
| Lonibos, David M.        | Vice President   |
| Louis, Matthew G.        | Vice President   |
| Luby, Margaret           | Vice President   |

**GLOBAL CORPORATE TRUST****OFFICIAL SIGNING AUTHORITY**

I hereby certify that the following individuals have been granted the signing authority noted next to their names pursuant to Article 6, Section 6.2 and Section 6.3 of the By-Laws of The Bank of New York Mellon:

| <b>NAME</b>                 | <b>TITLE</b>      |
|-----------------------------|-------------------|
| Lucente, Nicholas           | Vice President    |
| Luciano, Carlos R.          | Vice President    |
| Lui, Wesley                 | Associate         |
| Lynch, Damien               | Vice President    |
| Mac Eochaidh, Treabhor      | Vice President    |
| Mack, Vanessa               | Vice President    |
| Mansoor, Abdul Anam         | Vice President    |
| Mara, Damien Kieran         | Vice President    |
| Maraite, Nicolas            | Senior Associate  |
| Marcuzzan, Stella           | Senior Associate  |
| Maree, Ross                 | Senior Associate  |
| Martin, Barry               | Senior Associate  |
| Massingill, Travis          | Vice President    |
| Mate, Joseph                | Vice President    |
| McCann, Johanna             | Vice President    |
| McCormack, Pauric           | Vice President    |
| McDermott, Natasha          | Vice President    |
| McDonnell, Kathleen Marie   | Managing Director |
| McKay, Thomas               | Vice President    |
| McKeever, Glenn G.          | Vice President    |
| McNamara, Joellen Fehrs     | Senior Associate  |
| Melendez, Rosemary          | Vice President    |
| Mella, Federico             | Vice President    |
| Meloni, Annarita            | Vice President    |
| Mesa, Vanessa               | Senior Associate  |
| Miller, Ashia N.            | Senior Associate  |
| Miller, Reshu               | Associate         |
| Milliner, Denis             | Vice President    |
| Miranda, Rafael             | Vice President    |
| Miselis, Mary               | Vice President    |
| Mitchell, Glenn             | Vice President    |
| Moniaci, Rosario R.         | Vice President    |
| Moraca, Miriam              | Vice President    |
| Morgan, Wendy               | Senior Associate  |
| Morison, Raymond F.         | Managing Director |
| Morris, Joann               | Vice President    |
| Morrison, Alexander Phillip | Vice President    |
| Moss, Valerie               | Senior Associate  |
| Motusesky, Paul M.          | Senior Associate  |
| Mule, Gaspare               | Vice President    |
| Mulkearns, Michael          | Vice President    |
| Mulvihill, Grace Marie      | Vice President    |
| Muneshwar, Bibi             | Vice President    |
| Murphy, Paul                | Vice President    |
| Myers, Andrea Jayne         | Vice President    |
| Na, Ki Un                   | Senior Associate  |

# GLOBAL CORPORATE TRUST

## OFFICIAL SIGNING AUTHORITY

I hereby certify that the following individuals have been granted the signing authority noted next to their names pursuant to Article 6, Section 6.2 and Section 6.3 of the By-Laws of The Bank of New York Mellon:

| NAME                     | TITLE             |
|--------------------------|-------------------|
| Nascimento, Marcia       | Senior Associate  |
| Nasim, Iqbal Mohammad    | Vice President    |
| Needham Jr., John Thomas | Vice President    |
| Neumann, Nancy           | Senior Associate  |
| Ng, Meime                | Senior Associate  |
| Nolan, Jennifer          | Vice President    |
| Ntavos, Evangelos        | Vice President    |
| Nystrom, Carl-Henrik     | Vice President    |
| O'Brien, Alan            | Vice President    |
| O'Brien, David J.        | Vice President    |
| O'Brien, Kieran          | Vice President    |
| O'Brien, Laurence J.     | Vice President    |
| O'Brien, Maeve           | Managing Director |
| O'Mahoney, Christopher   | Senior Associate  |
| O'Muchadha, Colm         | Senior Associate  |
| Oommen, Anish            | Senior Associate  |
| Orkis, Rachel E.         | Senior Associate  |
| Orlandi, Monica          | Senior Associate  |
| Osipowicz, Tomaiz        | Senior Associate  |
| Overby, Randall Paul     | Managing Director |
| Pagano, Alfonso          | Vice President    |
| Pahkala, Noora Emilia    | Senior Associate  |
| Pallier, Beatrice        | Senior Associate  |
| Panepinto, Joseph        | Vice President    |
| Parente, Dario J.        | Vice President    |
| Pariser, Raphael         | Vice President    |
| Patel, Bhavik            | Senior Associate  |
| Pellicano, Stacey        | Vice President    |
| Pena, Angelita           | Senior Associate  |
| Pereira, Paul Vernon     | Vice President    |
| Perkins, Jonathan        | Vice President    |
| Perry, Dawn              | Vice President    |
| Perry, Kathleen E.       | Vice President    |
| Peschler, Robert         | Vice President    |
| Petkova, Kamelia         | Vice President    |
| Petratis, Mary Ann       | Vice President    |
| Phillips, Rosemary       | Senior Associate  |
| Pickett, Diane           | Vice President    |
| Pine, Kathy              | Vice President    |
| Plear, Tonya             | Senior Associate  |
| Poindexter, Stacey       | Vice President    |
| Popova, Liliya Angelova  | Senior Associate  |
| Potes, William           | Senior Associate  |
| Prata, Mayelle Tesser    | Vice President    |
| Provenzano, Thomas J.    | Vice President    |
| Pszonek, Susan           | Vice President    |
| Pule, David Alexander    | Vice President    |
| Pullen III, Edward M.    | Vice President    |

**GLOBAL CORPORATE TRUST**

**OFFICIAL SIGNING AUTHORITY**

I hereby certify that the following individuals have been granted the signing authority noted next to their names pursuant to Article 6, Section 6.2 and Section 6.3 of the By-Laws of The Bank of New York Mellon:

| NAME                       | TITLE             |
|----------------------------|-------------------|
| Quinod, Carlos             | Senior Associate  |
| Racioppo, Kenneth          | Vice President    |
| Rainbird, Kevin M.         | Managing Director |
| Reatz, Alissa              | Senior Associate  |
| Reed, Timothy John         | Senior Associate  |
| Reinle, Philip P.          | Senior Associate  |
| Reyes, Feliciano           | Senior Associate  |
| Rich, Robert W             | Vice President    |
| Riley, Kathleen A          | Vice President    |
| Robertson, Andrew Jonathan | Vice President    |
| Rorneo, Odell D.           | Vice President    |
| Rothenberg, Stuart         | Vice President    |
| Russo Jr., Anthony J.      | Senior Associate  |
| Russo, Ciro J              | Vice President    |
| Russo, Janet M             | Senior Associate  |
| Ryan, Aisling              | Vice President    |
| Ryan, Ming                 | Vice President    |
| Sabino, Matthew            | Vice President    |
| Samir, Margaret            | Vice President    |
| Sathianathan, Manobraj     | Vice President    |
| Schwartz, Carolyn          | Senior Associate  |
| Scott, Antony Martyn       | Vice President    |
| Scrivano, Patricia         | Senior Associate  |
| Segro, Marcelly            | Vice President    |
| Shah, Ashish               | Senior Associate  |
| Shah, Deven                | Vice President    |
| Sharland, Alexander        | Vice President    |
| Sheehan, Sarah             | Vice President    |
| Sheridan, Tracy            | Senior Associate  |
| Sibree, Tania E.           | Managing Director |
| Simons, Thomas W.          | Vice President    |
| Singer, Christine          | Vice President    |
| Slavkov, Dimitre Ivanov    | Vice President    |
| Small, Claudia Olivia      | Senior Associate  |
| Smith, Neil R.             | Managing Director |
| Smyth, Terry               | Vice President    |
| Souter, Edward             | Associate         |
| Spelman, Karl              | Vice President    |
| Spence, O'Neil             | Senior Associate  |
| Stairker, Kara             | Senior Associate  |
| Stewart, Deborah           | Vice President    |
| Stone, Dennis Francis      | Vice President    |
| Stosik, Pawel              | Vice President    |
| Strietzel, Robert Hagen    | Vice President    |
| Sun, Zhuojia Nancy         | Senior Associate  |
| Tam, Eva Tze-Wai           | Vice President    |
| Tam, Man-Ho G              | Senior Associate  |
| Tan, Su-Fern Valetia       | Vice President    |
| Tartaglione, Kristen       | Senior Associate  |

**GLOBAL CORPORATE TRUST****OFFICIAL SIGNING AUTHORITY**

I hereby certify that the following individuals have been granted the signing authority noted next to their names pursuant to Article 6, Section 6.2 and Section 6.3 of the By-Laws of The Bank of New York Mellon:

| NAME                           | TITLE             |
|--------------------------------|-------------------|
| Tavolotti, Luciano             | Managing Director |
| Taylor, Andrew J.              | Vice President    |
| Taylor, Kirsten Anne           | Vice President    |
| Teh, Min Tau Samuel            | Senior Associate  |
| Tepper, Scott                  | Vice President    |
| Terezian, Alan                 | Senior Associate  |
| Tessler, Adam                  | Senior Associate  |
| Thelwell, Arlene               | Senior Associate  |
| Thomas, Dionne                 | Senior Associate  |
| Thomas, Jason Sebastian        | Senior Associate  |
| Thomas, Sherma                 | Senior Associate  |
| Thompson, Darrel X.            | Senior Associate  |
| Thompson, Jennie Elizabeth     | Vice President    |
| Thuo, Marco Maina              | Vice President    |
| Tinnin, Bryon M.               | Vice President    |
| Today, Deborah                 | Vice President    |
| Townsend, Paul Simon Francis   | Vice President    |
| Trachtenberg, Karen A.         | Vice President    |
| Tran, Alice                    | Senior Associate  |
| Triolo, Filippo                | Vice President    |
| Tsarnas, Alex P.               | Managing Director |
| Turkel, Adam                   | Vice President    |
| Turner, Kevin P.               | Vice President    |
| Uwhuba, Oghenovo Ufeyinretsola | Vice President    |
| Vaccarello, Steven V.          | Vice President    |
| Valenti, Jennifer J.           | Vice President    |
| Vaporean, Karen                | Senior Associate  |
| Vayas, Antonio                 | Vice President    |
| Vlahakis, Thomas               | Vice President    |
| Voiner, Michael                | Senior Associate  |
| Wai, Nelson                    | Vice President    |
| Walker, Erika                  | Senior Associate  |
| Walsh, Kevin John              | Vice President    |
| Watts, Timothy Tissa           | Senior Associate  |
| Weber, Herbert William         | Vice President    |
| Wenzler, Craig S.              | Vice President    |
| Whelan, Justin Thomas          | Senior Associate  |
| Whelan, Michael                | Managing Director |
| White, Jonathan Leo            | Vice President    |
| White, Michael C.              | Vice President    |
| Wilkes, Emma                   | Vice President    |
| Williams, Audrey M.            | Senior Associate  |
| Witty, Matt                    | Vice President    |
| Wright, Teisha                 | Senior Associate  |
| Wye, Lynne Margaret            | Vice President    |
| Wynne, Daniel                  | Managing Director |
| Yiu, Anna A.                   | Senior Associate  |
| Yoon, Youngmi                  | Senior Associate  |
| Young, Kevin                   | Vice President    |



**GLOBAL CORPORATE TRUST**

**OFFICIAL SIGNING AUTHORITY**

I hereby certify that the following individuals have been granted the signing authority noted next to their names pursuant to Article 6, Section 6.2 and Section 6.3 of the By-Laws of The Bank of New York Mellon:


| NAME             | TITLE            |
|------------------|------------------|
| Zacharias, Sanil | Senior Associate |
| Zando, Mark      | Vice President   |
| Zhang, Paul      | Senior Associate |
| Zhu, Lici        | Senior Associate |
| Zuniga, Jeriel   | Vice President   |
| Zuniga, Roxanne  | Associate        |

**GLOBAL CORPORATE TRUST**

**OFFICIAL SIGNING AUTHORITY**

I hereby certify that the following individuals have been granted the signing authority noted next to their names pursuant to Article 6, Section 6.2 and Section 6.3 of the By-Laws of The Bank of New York Mellon:

| NAME | TITLE |
|------|-------|
|------|-------|

  
Carmela Ehret  
Vice President - GCT Office of Policy and Regulatory Reporting

7/24/09

**SIGNING AUTHORITIES**  
**Extracts from By-Laws of**  
**THE BANK OF NEW YORK MELLON**  
**ARTICLE VI**  
**As amended through July 4, 2009**

**SECTION 6.1 *Real Property.*** Real property owned by the Bank in its own right shall not be deeded, conveyed, mortgaged, assigned or transferred except when duly authorized by a resolution of the Board. The Board may from time-to-time authorize officers to deed, convey, mortgage, assign or transfer real property owned by the Bank in its own right with such maximum values as the Board may fix in its authorizing resolution.

**SECTION 6.2 *Senior Signing Powers.*** Subject to the exception provided in Section 6.1, the Chief Executive Officer, the President, any Vice Chairman, any Senior Executive Vice President and any Executive Vice President is authorized to accept, endorse, execute or sign any document, instrument or paper in the name of, or on behalf of, the Bank in all transactions arising out of, or in connection with, the normal course of the Bank's business or in any fiduciary, representative or agency capacity and, when required, to affix the seal of the Bank thereto. In such instances as in the judgment of the Chief Executive Officer, the President, any Vice Chairman, any Senior Executive Vice President or any Executive Vice President may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer to have the powers set forth in this section applicable only to the performance or discharge of the duties of such officer within his or her particular division or function. Any officer of the Bank authorized in or pursuant to Section 6.3 to have any of the powers set forth therein, other than the officer signing pursuant to this Section 6.2, is authorized to attest to the seal of the Bank on any documents requiring such seal.

**SECTION 6.3. *Limited Signing Powers.*** Subject to the exception provided in Section 6.1, in such instances as in the judgment of the Chief Executive Officer, the President, any Vice Chairman, any Senior Executive Vice President, or any Executive Vice President may be proper and desirable, any one of said officers may authorize in writing from time to time any other officer, employee or individual to have the limited signing powers or limited power to affix the seal of the Bank to specified classes of documents set forth in a resolution of the Board applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function.

**SECTION 6.4 *Powers of Attorney.*** All powers of attorney on behalf of the Bank shall be executed by any officer of the Bank jointly with the Chief Executive Officer, the President, any Vice Chairman, any Senior Executive Vice President, any Executive Vice President, any Senior Vice President or any Managing Director, provided that the execution by such Senior Vice President or Managing Director of said Power of Attorney shall be applicable only to the performance or discharge of the duties of such officer within his or her particular division or function. Any such power of attorney may, however, be executed by any officer or officers or person or persons who may be specifically authorized to execute the same by the Board of Directors and, at foreign branches only, by any two officers provided one of such officers is the Branch Manager.

**SECTION 6.5. *Auditor.*** The Chief Auditor or any officer designated by the Chief Auditor is authorized to certify in the name of, or on behalf of the Bank, in its own right or in a fiduciary or representative capacity, as to the accuracy and completeness of any account, schedule of assets, or other document, instrument or paper requiring such certification.

## **SIGNING AUTHORITY RESOLUTION**

### **Pursuant to Section 6.3 of the By-laws**

**RESOLVED**, that, pursuant to Section 6.3 of the By-laws of The Bank of New York Mellon authority be, and hereby is, granted to the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President, or any Executive Vice President, in such instances as in the judgment of any one of said officers may be proper and desirable, to authorize in writing from time-to-time any other officer, employee or individual to have the limited signing authority set forth in any one or more of the following paragraphs applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function:

(A) All signing authority set forth in paragraphs (B) through (I) below except Level C which must be specifically designated.

(B1) Individuals authorized to accept, endorse, execute or sign any bill receivable; certification; contract, document or other instrument evidencing, embodying a commitment with respect to, or reflecting the terms or conditions of, a loan or an extension of credit by the Bank; note; and document, instrument or paper of any type, including stock and bond powers, required for purchasing, selling, transferring, exchanging or otherwise disposing of or dealing in foreign currency, derivatives or any form of securities, including options and futures thereon; in each case in transactions arising out of, or in connection with, the normal course of the Bank's business.

(B2) Individuals authorized to endorse, execute or sign any certification; disclosure notice required by law; document, instrument or paper of any type required for judicial, regulatory or administrative proceedings or filings; and legal opinions.

(C1) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of \$100,000,000 with single authorization for all transactions.

(C2) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of \$100,000,000\*.

(C3) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$100,000,000.

(C4) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$10,000,000.

(C5) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$5,000,000.

(C6) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification;

receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$1,000,000.

(C7) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$250,000.

(C8) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$50,000.

(C9) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$5,000.

\*Dual authorization is required by any combination of senior officer and/or Sector Head approved designee for non-exempt transactions. Single authorization required for exempt transactions.

(D1) Authority to accept, endorse, execute or sign any contract obligating the Bank for the payment of money or the provision of services in an amount up to \$1,000,000.

(D2) Authority to accept, endorse, execute or sign any contract obligating the Bank for the payment of money or the provision of services in an amount up to \$250,000.

(D3) Authority to accept, endorse, execute or sign any contract obligating the Bank for the payment of money or the provision of services in an amount up to \$50,000.

(D4) Authority to accept, endorse, execute or sign any contract obligating the Bank for the payment of money or the provision of services in an amount up to \$5,000.

(E) Authority to accept, endorse, execute or sign any guarantee of signature to assignments of stocks, bonds or other instruments; certification required for transfers and deliveries of stocks, bonds or other instruments; and document, instrument or paper of any type required in connection with any Individual Retirement Account or Keogh Plan or similar plan.

(F) Authority to accept, endorse, execute or sign any certificate of authentication as bond, unit investment trust or debenture trustee and on behalf of the Bank as registrar and transfer agent.

(G) Authority to accept, endorse, execute or sign any bankers acceptance; letter of credit; and bill of lading.

(H) Authority to accept, endorse, execute or sign any document, instrument or paper of any type required in connection with the ownership, management or transfer of real or personal property held by the Bank in trust or in connection with any transaction with respect to which the Bank is acting in any fiduciary, representative or agency capacity, including the acceptance of such fiduciary, representative or agency account.

(II) Authority to effect the external movement of free delivery of securities and internal transfers resulting in changes of beneficial ownership.

(I2) Authority to effect the movement of securities versus payment at market or contract value.

(J) Authority to either sign on behalf of the Bank or to affix the seal of the Bank to any of the following classes of documents: Trust Indentures, Escrow Agreements, Pooling and Servicing Agreements, Collateral Agency Agreements, Custody Agreements, Trustee's Deeds, Executor's Deeds, Personal Representative's Deeds, Other Real Estate Deeds for property not owned by the Bank in its own right, Corporate Resolutions, Mortgage Satisfactions, Mortgage Assignments, Trust Agreements, Loan Agreements, Trust and Estate Accountings, Probate Petitions, responsive pleadings in litigated matters and Petitions in Probate Court with respect to Accountings, Contracts for providing customers with Bank products or services.

(N) Individuals authorized to accept, endorse, execute or sign internal transactions only, (i.e., general ledger tickets); does not include the authority to authorize external money movements, internal money movements or internal free deliveries that result in changes of beneficial ownership.

**RESOLVED**, that any signing authority granted pursuant to this resolution may be rescinded by the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President, or any Executive Vice President and such signing authority shall terminate without the necessity of any further action when the person having such authority leaves the employ of the Company.

EXHIBIT B- SERIES 2010 A BOND TERMS



June 24, 2010

\$1,895,000

Jefferson County Public Service District  
(West Virginia)  
Sewer Refunding Revenue Bonds, 2010 Series A

Jefferson County Public Service District  
Kearneysville, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Spilman Thomas & Battle, PLLC  
Charleston, West Virginia

West Virginia Water Development Authority  
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the rates and charges set forth in the Commission Order of the Public Service Commission of West Virginia entered April 7, 2010, in Case No. 09-1915-PSD-42T-PC, the current operation and maintenance expenses of Jefferson County Public Service District (the "Issuer") and the current number and type of customers of the Issuer, it is our opinion that such rates and charges, excluding CIF Fees and CAF Fees, will be sufficient to provide revenues which, together with other revenues of the sewerage system (the "System") of the Issuer, will pay all repair, operation and maintenance expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Issuer's Sewer Refunding Revenue Bonds, 2010 Series A (the "Bonds"), and all other obligations secured by or payable from the revenues of the System, on a parity with the Bonds, including the (i) Sewer Revenue Bonds, Series 1988B, dated May 5, 1988, issued in the original aggregate principal amount of \$425,767 (the "Series 1988B Bonds"), (ii) Sewer Revenue Bonds, Series 1993A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of \$971,000 (the "Series 1993A Bonds"), (iii) Sewer Revenue Bonds, Series 1998B (West Virginia SRF Program), dated June 25, 1998, issued in the original aggregate principal amount of \$599,089 (the "Series 1998B Bonds"), (iv) Sewer Revenue Bonds, Series 1998C (West Virginia Infrastructure Fund), dated June 25, 1998, issued in the original aggregate principal amount of \$662,039 (the "Series 1998C Bonds"), (v) Sewer Revenue Bonds, Series 1999A (West Virginia SRF Program), dated December 8, 1999, issued in the original aggregate principal amount of \$378,363 (the "Series 1999A Bonds"), (vi) Sewer Revenue Bonds, Series 2000A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of \$1,154,889 (the "Series 2000A Bonds"), and (vii) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated June 18, 2008, issued in the original aggregate principal amount of \$2,005,000 (the "Series 2008A Bonds," and collectively with the Series 1988B Bonds, the Series 1993A Bonds, the Series 1998B Bonds, the Series 1998C Bonds, the Series 1999A Bonds and the Series 2000 A Bonds, the "Prior Bonds").



It is our further opinion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of the Bonds, plus the estimated average annual Net Revenues to be received in each of the three succeeding years, are not less than 115% of the largest aggregate amount that will mature and become due in any succeeding fiscal year for the principal of and interest, if any, on the Bonds and the Prior Bonds.

Net revenues actually derived from the system during the 12 consecutive months, with in the 18 months immediately preceding the date of the bonds was adjust by adding revenues that would have been received from the increase in rates adopted by the Issuer and approved by the Public Service Commission of West Virginia, the time for appeal of which shall have expired prior to the issuance of the Bonds as set forth in the resolutions approving the Prior Bonds.

Very truly yours

*CoxHollidaPrice LLP*

Martinsburg, West Virginia

\$1,895,000  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

The Bank of New York Mellon, as Registrar  
Woodland Park, NJ

Ladies and Gentlemen:

All capitalized terms used herein and not otherwise defined shall have the meanings ascribed in the Resolution (hereinafter defined). Pursuant to Section 3.12 of the Bond Resolution adopted by Jefferson County Public Service District (the "Issuer"), there are delivered to you herewith as Registrar for the above-captioned bonds, the following:

1. Bonds Numbered AR-1 through AR-7, constituting the entire original issue of Jefferson County Public Service District Sewer Refunding Revenue Bonds, 2010 Series A, dated June 24, 2010, in the aggregate principal amount of \$1,895,000 (the "2010 Series A Bonds"), executed by the Acting Chairman and attested to by the Secretary of Jefferson County Public Service District (the "Issuer") and bearing the official seal of the Issuer. The 2010 Series A Bonds are authorized to be issued under and pursuant to a Bond Resolution adopted by the Issuer on April 6, 2010 (the "Resolution").
2. A list of the names in which the 2010 Series A Bonds are to be registered upon original issuance, together with taxpayer identification and other information as requested by you.
3. A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the 2010 Series A Bonds to the Original Purchaser.
4. A copy of the Resolution certified by the Secretary.
5. Copy of the Certificate of Determination.
6. The unqualified approving opinion upon the 2010 Series A Bonds by Bond Counsel.

You are hereby requested and authorized to authenticate, register and deliver the 2010 Series A Bonds as DTC fast agent to the Original Purchaser thereof.

Dated as of the date first written above.

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

By: Pete L. [Signature]  
Its: Treasurer

\$1,895,000  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

REGISTRAR AGREEMENT

THIS REGISTRAR'S AGREEMENT ("Agreement"), dated as of the 24th day of June, 2010, by and between JEFFERSON COUNTY PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia (the "Issuer"), and THE BANK OF NEW YORK MELLON ("Bank").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$1,895,000 principal amount of Sewer Refunding Revenue Bonds, 2010 Series A, in fully registered form (the "Bonds"), pursuant to a Bond Resolution of the Issuer adopted on April 6, 2010 (the "Resolution");

WHEREAS, capitalized words and terms used in this Agreement and not otherwise defined herein shall have the respective meanings given them in the Resolution, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Resolution provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer has appointed the Bank to serve as Registrar under the Certificate of Determination, and by the Resolution, the Certificate of Determination and this Agreement does appoint the Registrar to act as Registrar under the Resolution and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Agreement by the Issuer and the Bank and during the term hereof, the Bank does accept and shall have and agrees to perform all of the powers and duties of Registrar for the Bonds, all as set forth in the Resolution, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the excludability from gross income of interest on the Bonds for purposes of federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Bank agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Bank's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Bank shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Agreement, the Issuer hereby agrees to pay to the Bank the compensation for services rendered as provided in the attached schedule.

5. It is intended that this Agreement shall carry out and implement provisions of the Resolution with respect to the Registrar. In the event of any conflict between the terms of this Agreement and the Resolution, the terms of the Resolution shall govern.

6. The Issuer and the Bank each warrants and represents that it is duly authorized and empowered to execute and enter into this Agreement and that neither such execution nor the performance of its duties hereunder or under the Resolution will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: Jefferson County Public Service District  
340 Edmond Road, Suite A  
Kearneysville, West Virginia 25430  
Attention: General Manager


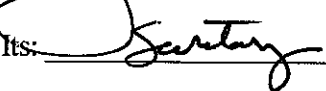
REGISTRAR: The Bank of New York Mellon  
385 Rifle Camp Road, 3<sup>rd</sup> Floor  
Woodland Park, NJ 07424  
Attention: Thomas A. Vlahakis, Vice President

8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Resolution.

9. This document may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same document.

IN WITNESS WHEREOF, JEFFERSON COUNTY PUBLIC SERVICE DISTRICT and THE BANK OF NEW YORK MELLON have respectively caused this Agreement to be signed in their names and on their behalf, all as of the date first written above.

JEFFERSON COUNTY PUBLIC SERVICE  
DISTRICT

By:   
Its: 

THE BANK OF NEW YORK MELLON

By: \_\_\_\_\_  
Its: Vice President

IN WITNESS WHEREOF, JEFFERSON COUNTY PUBLIC SERVICE DISTRICT and THE BANK OF NEW YORK MELLON have respectively caused this Agreement to be signed in their names and on their behalf, all as of the date first written above.

JEFFERSON COUNTY PUBLIC SERVICE  
DISTRICT

By: \_\_\_\_\_

Its: \_\_\_\_\_

THE BANK OF NEW YORK MELLON

By: \_\_\_\_\_



Its: Vice President

EXHIBIT A

Resolution

(See Tab No. 2a)



SCHEDULE OF COMPENSATION

(On file with Bank)

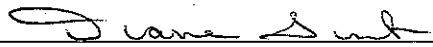
\$1,895,000  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

MVB Bank, Charles Town, West Virginia, hereby accepts appointment as Depository Bank in connection with the Bond Resolution of the Public Service Board of Jefferson County Public Service District in Jefferson County, West Virginia (the "Issuer"), adopted on April 6, 2010, as supplemented by a Supplemental Resolution adopted by the Issuer on June 18, 2010, authorizing the issuance of the Issuer's Sewer Refunding Revenue Bonds, 2010 Series A, dated June 24, 2010, in the aggregate principal amount of \$1,895,000, all as set forth in the Bond Resolution.

WITNESS my signature on this 24<sup>th</sup> day of June, 2010.

MVB BANK

By:   
Its: Authorized Officer

\$1,895,000  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

JOINT CERTIFICATE OF ISSUER AND ESCROW AGENT

On this the 24th day of June, 2010, the undersigned, Peter L. Appignani, Treasurer of Jefferson County Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia (the "Issuer"), and the undersigned Executive Director of the West Virginia Municipal Bond Commission (the "Escrow Agent"), hereby jointly certify as follows in connection with the above-captioned Bond issue:

1. Capitalized terms used herein and not otherwise defined shall have the meanings given them in the bond resolution adopted by the Board of the Issuer on April 6, 2010 (the "Resolution").

2. We have executed the Escrow Agreement between the Issuer and the Escrow Agent, dated June 24, 2010 (the "Escrow Agreement"), on behalf of the Issuer and the Escrow Agent, respectively.

3. The Escrow Agent has the authority to act as Escrow Agent for and in connection with the Bonds to be Refunded and has the requisite powers to carry out its duties under the Escrow Agreement. The Escrow Agreement has been duly and validly authorized, executed and delivered by the Escrow Agent, and assuming due authorization, execution and delivery thereof by the Issuer, the Escrow Agreement constitutes a valid and legally binding obligation of the Escrow Agent, enforceable in accordance with its terms.

4. The moneys on deposit in the Escrow Fund established by the Escrow Agreement are shown by the Verification Report of Herman & Cormany, CPAs, A.C., to be in an amount sufficient to fully pay the Bonds to be Refunded described in the Escrow Agreement on the Redemption Date. The liens of the Bonds to be Refunded and the 1998 Resolution pursuant to which the Bonds to be Refunded were issued have been discharged.

WITNESS our signatures on the date first written above.

JEFFERSON COUNTY PUBLIC SERVICE  
DISTRICT

By: Pete L. [Signature]

Its: Treasurer

WEST VIRGINIA MUNICIPAL BOND  
COMMISSION

By: \_\_\_\_\_

Its: Executive Director

WITNESS our signatures on the date first written above.

JEFFERSON COUNTY PUBLIC SERVICE  
DISTRICT

By: \_\_\_\_\_

Its: \_\_\_\_\_

WEST VIRGINIA MUNICIPAL BOND  
COMMISSION

By:  \_\_\_\_\_

Its: Executive Director



**SPILMAN THOMAS & BATTLE, PLLC**  
ATTORNEYS AT LAW

June 24, 2010

\$1,895,000

Jefferson County Public Service District (West Virginia)  
Sewer Refunding Revenue Bonds, 2010 Series A

Jefferson County Public Service District  
Ranson, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Jefferson County Public Service District (West Virginia) (the "Issuer") of its \$1,895,000 in aggregate principal amount of Sewer Refunding Revenue Bonds, 2010 Series A (the "Bonds"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion. We have also examined an unauthenticated specimen Bond. Capitalized terms used but not defined in this opinion shall have the meanings assigned to them under the Resolution (as hereinafter defined).

The Issuer, a public service district and public corporation under and pursuant to the laws of the State of West Virginia (the "State"), is empowered and authorized to issue bonds pursuant to Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act") and a Bond Resolution duly adopted by the Issuer on April 6, 2010 (the "Resolution"). Proceeds of the Bonds will be used for the purpose of paying a portion of the costs necessary to (i) currently refund the Issuer's outstanding Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 of which \$1,885,000 of principal is presently outstanding (the "Series 1998 A Bonds"); (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance of the Bonds and related costs.

The Bonds will mature on such dates in each of the years, in the respective principal amounts, and bear interest from their date at the respective rates per annum, as set forth or provided in a Certificate of Determination, dated as of June 17, 2010, executed by an authorized officer of the Issuer, all as provided under the Resolution. The provisions for redemption of the Bonds are provided in the Certificate of Determination.

The Issuer has also entered into a Tax Compliance Certificate, dated as of June 24, 2010 (the "Tax Certificate").

Jefferson County Public Service District  
Crews & Associates, Inc.  
June 24, 2010  
Page 2

Reference is made to the opinion of James V. Kelsh, Esquire, as counsel to the Issuer, dated of even date herewith, with respect to (i) the power and authority of the Issuer to enter into the Purchase Contract dated June 17, 2010, by and between Crews & Associates, Inc. and the Issuer (the "Purchase Contract"), the Escrow Agreement dated June 24, 2010, by and between the Issuer and the West Virginia Municipal Bond Commission (the "Escrow Agreement") and the Continuing Disclosure Agreement dated June 24, 2010, by and between the Issuer and The Bank of New York Mellon, as dissemination agent (the "Continuing Disclosure Agreement" and together with the Purchase Contract and the Escrow Agreement, collectively, the "Bond Documents"), (ii) the due authorization, execution and delivery by the Issuer of the Bond Documents, and (iii) the binding effect and enforceability of the Bond Documents upon the Issuer. No opinion as to such matters is expressed herein.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the Issuer with respect to certain facts relevant to both our opinion and the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Issuer has covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds, and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents providing for the issuance of the Bonds (the "Covenants").

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly created and validly existing public service district and public corporation under and pursuant to the laws of the State, with power to adopt the Resolution, to execute and deliver the Tax Certificate and to perform the agreements on its part contained therein and to issue the Bonds.
2. The Resolution has been duly adopted by the Issuer, is in full force and effect as of the date hereof, and is valid and binding upon the Issuer and enforceable against the Issuer in accordance with its terms.
3. The Tax Certificate has been duly authorized, executed and delivered by the Issuer and constitutes the valid and binding agreement of the Issuer, enforceable in accordance with the terms thereof.

Jefferson County Public Service District  
Crews & Associates, Inc.  
June 24, 2010  
Page 3

4. The Resolution creates the valid pledge which it purports to create of the Net Revenues of the System (as defined in the Resolution), on a parity with the Issuer's Prior Bonds, and other funds and accounts pledged under the Resolution, subject to the terms thereof.

5. The Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, are valid and binding special, limited obligations of the Issuer, payable solely from the sources provided therefor in the Resolution.

6. Under current law, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For purposes of computing the alternative minimum tax on corporations (as defined for federal tax purposes), such interest is taken into account in determining adjusted net book income. The preceding opinion is subject to the condition that all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be, or continue to be, excludable from gross income for federal income tax purposes are so satisfied, and therefore failure by the Issuer to comply with the Covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. We express no opinion regarding any other tax consequences of the ownership of or receipt or accrual of interest on the Bonds. Furthermore, we express no opinion as to the effect on the excludability of the interest on the Bonds from gross income of (a) any event for which the Resolution requires the obtaining of an opinion of Bond Counsel, as defined in the Resolution or (b) any amendment of the Resolution or waiver of the terms thereof.

7. Under the Act, the Bonds and the interest thereon are exempt from all taxation by the State of West Virginia and the other taxing bodies of the State.

8. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and has covenanted that it does not reasonably expect to issue more than \$30,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligations) during the calendar year 2010. Therefore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

9. The Series 1998 A Bonds have been paid within the meaning and with the effect expressed in the 1998 Resolution, and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 1998 A Bonds have been satisfied and





Jefferson County Public Service District  
Crews & Associates, Inc.  
June 24, 2010  
Page 4

discharged. In rendering the opinion set forth in this paragraph, we have relied upon the opinion of certain independent certified public accountants relating to the sufficiency of the moneys on deposit in the Escrow Fund to provide for the payment of the Redemption Price of the Bonds on the Redemption Date.

The rights of the holders of the Bonds and the enforceability of the Bonds, the Resolution, the Tax Certificate and the liens and pledges set forth therein may be subject to and limited by bankruptcy laws and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable and that the enforcement thereof may also be subject to general principles of equity and to the exercise of judicial discretion.

Our services as bond counsel to the Issuer has been limited to rendering the foregoing opinion based upon our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest thereon.

This opinion is rendered as of the date hereof. We are under no obligation to, nor will we, update or revise this opinion due to events occurring after the date hereof which change the facts or law upon which this opinion is based.

This opinion is rendered to the addressees set forth above solely for their use in connection with the transactions contemplated under the Resolution, is solely for the benefit of those addressees, and their respective successors and assigns; and, except where we have given our prior written consent, may not be relied upon by anyone else or used for any purpose other than in connection with the consummation of the transactions contemplated in the Resolution.

Very truly yours,

*Spilman Thomas & Battle, PLLC*  
Spilman Thomas & Battle, PLLC



SPILMAN THOMAS & BATTLE, PLLC  
ATTORNEYS AT LAW

June 24, 2010

\$1,895,000  
Jefferson County Public Service District  
(West Virginia)  
Sewer Refunding Revenue Bonds, 2010 Series A

West Virginia Water Development Authority  
Charleston, West Virginia

Ladies and Gentlemen:

We have delivered our bond counsel opinion of even date herewith, a copy of which is attached. You may rely upon paragraph 4 of this opinion as if specifically addressed to you.

Very truly yours,

*Spilman Thomas & Battle, PLLC*  
SPILMAN THOMAS & BATTLE, PLLC

2226335 (012123.0002)



SPILMAN THOMAS & BATTLE, PLLC  
ATTORNEYS AT LAW

June 24, 2010

\$1,895,000  
Jefferson County Public Service District  
(West Virginia)  
Sewer Refunding Revenue Bonds, 2010 Series A

West Virginia Municipal Bond Commission  
Charleston, West Virginia

Ladies and Gentlemen:

We have delivered our bond counsel opinion of even date herewith, a copy of which is attached. You may rely upon paragraph 9 of this opinion as if specifically addressed to you.

Very truly yours,

*Spilman Thomas & Battle, PLLC*  
SPILMAN THOMAS & BATTLE, PLLC

2231263 (012123.0002)



SPILMAN THOMAS & BATTLE, PLLC  
ATTORNEYS AT LAW

June 24, 2010

\$1,895,000  
Jefferson County Public Service District  
(West Virginia)  
Sewer Refunding Revenue Bonds, 2010 Series A

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by Jefferson County Public Service District (the "District") of its \$1,895,000 aggregate principal amount of Sewer Refunding Revenue Bonds, 2010 Series A (the "Bonds"). In our capacity as bond counsel, we are delivering an opinion of even date herewith concerning the legality of the Bonds and the exclusion of interest on the Bonds from gross income for federal income tax purposes (the "Bond Opinion"). We have examined the documents and instruments as described in the Bond Opinion, the Official Statement and such other matters as we have deemed necessary or appropriate to render this opinion. Words and terms used in this opinion shall have the meanings assigned to them in the Purchase Contract (the "Purchase Contract") dated June 17, 2010, by and between the District and Crews & Associates, Inc. (the "Underwriter").

Reference is made to the opinion of James V. Kelsh, Esquire, as counsel to the Issuer with respect to the matters identified therein.

Based upon the foregoing, we are of the opinion that:

1. The Purchase Contract has been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the Underwriter and that it is a binding agreement of the Underwriter in accordance with its terms, is a legal, valid and binding obligation of the District, enforceable in accordance with its terms, except to the extent that enforceability may be limited by bankruptcy, insolvency or other laws or equitable principles affecting creditors' rights generally.



SPILMAN THOMAS & BATTLE, PLLC

ATTORNEYS AT LAW

June 24, 2010

\$1,895,000

Jefferson County Public Service District (West Virginia)  
Sewer Refunding Revenue Bonds, 2010 Series A

Jefferson County Public Service District  
Kearneysville, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel with respect to the above-referenced bonds (the "2010 Series A Bonds"). The initial public offering price of certain of the 2010 Series A Bonds maturing on October 1, in each of the following years, 2023, 2025 and 2028, each inclusive (collectively, the "Discount Bonds"), is less than that amount payable on the Discount Bonds at maturity. The difference between the initial public offering price at which the Discount Bonds were sold and the amount payable at maturity constitutes an original issue discount ("OID"). In the case of any original Holder of a Discount Bond, the amount of the OID which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the Holder in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). We are of the opinion that amounts received upon such disposition which are attributable to accrued OID will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Very truly yours,

SPILMAN THOMAS & BATTLE, PLLC

2. The statements contained in the Official Statement under the headings "INTRODUCTION," "SOURCES AND USES OF FUNDS," "THE 2010 SERIES A BONDS" (except for the statements made under the sub-heading "Book-Entry Bonds"), "SECURITY FOR THE 2010 SERIES A BONDS," "TAX MATTERS," and in "Appendix C -- Proposed Form of Bond Counsel Opinion," and "Appendix D -- Bond Resolution," (except for financial or statistical data therein as to which no opinion is hereby expressed), thereto insofar as such statements contained under such headings purport to summarize certain provisions of the Bonds or the Resolution, are fair and accurate in all material respects and present a fair and accurate summary of the matters summarized and described under such captions.

3. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

For purposes of our opinion regarding the binding effect and enforceability of the Purchase Contract, we have assumed that the Underwriter is qualified to do business in West Virginia to the extent that such qualification is required by the nature of this transaction or the Underwriter's other activities in the State of West Virginia.

This letter is furnished to you solely for your information, and for assistance to you in conducting and documenting your investigation in connection with the issuance of the Bonds and is solely for your benefit.

Very truly yours,

*Spilman Thomas & Battle, PLLC*

SPILMAN THOMAS & BATTLE, PLLC

LAW OFFICE OF  
**JAMES V. KELSH**

Telephone  
(304) 343-1654

300 Summers St., Ste. 1230  
P.O. Box 3713  
Charleston, WV 25337-3713  
kelshlaw@yahoo.com  
WV State Bar #6617

Facsimile  
(304) 343-1657

June 24, 2010

Jefferson County Public Service District  
Kearneysville, West Virginia

Spilman Thomas & Battle, PLLC  
Charleston, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Steptoe & Johnson, PLLC  
Clarksburg, West Virginia

RE: \$1,895,000  
Jefferson County Public Service District (West Virginia)  
Sewer Refunding Revenue Bonds, 2010 Series A

Ladies and Gentlemen:

I have acted as counsel for Jefferson County Public Service District (the "District") and have acted as such in connection with the sale of the above-referenced Bonds (the "2010 Series A Bonds"), which were issued pursuant to a Bond Resolution adopted by the District on April 6, 2010, as supplemented by a Supplemental Resolution of the District adopted on April 18, 2010 (the "Resolution") and are being delivered and sold pursuant to a Purchase Contract dated as of June 17, 2010 (the "Purchase Contract") between the District and Crews & Associates, Inc. (the "Underwriter"). Any capitalized terms used herein and not defined shall have the meaning assigned to it in the Purchase Contract.

In this connection, I have reviewed and examined the Constitution and the laws of the State of West Virginia, specifically including Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), such proceedings, records, certificates and documents of the District as I have considered necessary, specifically including but not limited to the 2010 Series A Bonds, the Resolution of the District, the Continuing Disclosure Agreement, dated June 24, 2010, by and between the District and The Bank of New York Mellon, as Dissemination Agent (the "Disclosure Agreement"), the Purchase Contract, the Escrow Agreement dated June 24, 2010, by and between the District and the West Virginia Municipal Bond Commission (the "Escrow Agreement"), the Tax Compliance Certificate, dated June 24, 2010, executed and delivered by the District (the "Tax Certificate"), the Official Statement dated June 17, 2010, with respect to the issuance and offering of the 2010 Series A Bonds (the "Official Statement") and a closing certificate of the District dated the date hereof (collectively, the "Bond Documents"). Based on such review and such other considerations of law and fact as I believe to be relevant, I am of the opinion that:

1. The District is a public service district and a public corporation and political subdivision of the State of West Virginia. The District is authorized by the laws of the State of West Virginia, as provided by the Act, to execute and deliver the Bond Documents and perform its obligations thereunder.

2. The District has full power and authority to enter into the Bond Documents and to consummate all transactions contemplated by the Resolution, the Bond Documents and any and all other agreements relating thereto, to which the District is a party.

3. The District has duly authorized all action necessary to be taken by it or on its behalf for (i) the execution and delivery of the Bond Documents; (ii) the approval of the distribution of the Official Statement; (iii) the issuance and delivery of the 2010 Series A Bonds upon the terms set forth in the Resolution; and (iv) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

4. The Bond Documents have been duly and validly authorized, executed and delivered by the District and the same are in full force and effect as of the date hereof and are valid and legally binding obligations of the District, enforceable against the District in accordance with their respective terms, except to the extent the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally.

5. The Resolution has been duly adopted at meetings of the governing body (Board) of the District which were called and held pursuant to law and in accordance with all applicable open meeting laws and at which a quorum was present and acting at the time of the enactment of the Resolution.

6. The execution and delivery by the District of the Bond Documents and the performance of its obligations thereunder do not and will not result in a violation of the Act or, to the best of my knowledge after diligent inquiry and review of the District's records, any agreement or other instrument to which the District is a party or by which it or its properties are bound.

7. All actions necessary to be taken by the District have been taken, and no additional approval, authorization, consent or other order of the District or any public board or body is legally required to allow the District to enter into and perform its obligations under the Bond Documents.

8. The District is not in violation of any provision of, or in default under, West Virginia statutes organizing and governing the District.



9. There are no legal or governmental actions, proceedings, inquiries or investigations pending or threatened by governmental authorities or to which the District is a party or of which any property of the District is subject, except as described in the Official Statement, which, if determined adversely to the District, would individually or in the aggregate (i) materially and adversely affect the validity or the enforceability of the 2010 Series A Bonds or any other Bond Documents, or (ii) otherwise materially or adversely affect the ability of the District to comply with its obligations under the Purchase Agreement, or materially and adversely affect the transactions contemplated by the Official Statement to be engaged in by the District.

10. Based upon my experience as counsel for the District and on my review of the Official Statement, and after diligent inquiry, the statements and information contained in the Official Statement under the captions or subcaptions "Introduction," "The System," "Litigation," "Continuing Disclosure," and "Appendix D" (as such information pertains to the Issuer) do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

I hereby consent to the references made to me in the Official Statement.

Very truly yours,



James V. Kelsh, Esquire

JVK/sls



STEPTOE &  
JOHNSON  
PLLC  
ATTORNEYS AT LAW

Chase Tower, Eighth Floor  
P.O. Box 1588  
Charleston, WV 25326-1588  
(304) 353-8000 (304) 353-8180 Fax  
www.steptoel-johnson.com

Writer's Contact Information

June 24, 2010

\$1,895,000  
Jefferson County Public Service District (West Virginia)  
Sewer Refunding Revenue Bonds, 2010 Series A

Crews & Associates, Inc.  
300 Summers Street, Suite 930  
Charleston, West Virginia 25301

Ladies and Gentlemen:

We have acted as counsel to you (the "Underwriter"), in connection with the issuance and sale by the Jefferson County Public Service District (West Virginia) (the "Issuer"), of its Sewer Refunding Revenue Bonds, 2010 Series A (the "2010 Series A Bonds") which are being delivered and sold pursuant to a Purchase Contract dated June 17, 2010 (the "Purchase Contract"), by and between the Underwriter and the Issuer. In connection with rendering this opinion, we have examined the Official Statement, the Purchase Contract (each dated June 17, 2010) and the Continuing Disclosure Agreement, dated June 24, 2010, between the Issuer and The Bank of New York Mellon, as Dissemination Agent (the "Disclosure Agreement") entered into pursuant to Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). Capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Contract.

Based upon the foregoing, it is our opinion that (i) the 2010 Series A Bonds are exempt from registration under the Securities Act of 1933, as amended, and are municipal securities under the Securities Exchange Act of 1934, as amended, (ii) the Indenture and the Resolution adopted by the Issuer on April 6, 2010, as supplemented by the Supplemental Resolution adopted by the Issuer on June 18, 2010 (collectively, the "Resolution") are exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended, in connection with the offering and sale the 2010 Series A Bonds, and (iii) the Disclosure Agreement containing the undertaking of the Issuer to provide certain information in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, complies with the requirements of Section b(5) of such Rule.

Without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of our conferences with representatives of the Issuer, Bond Counsel and the Underwriter, and our examination of certain documents referred to in the Official

Crews & Associates, Inc.  
June 24, 2010  
Page 2

Statement, nothing has come to our attention that would lead us to believe (excluding therefrom all information in Appendix B, all financial and statistical data and projections included in the Official Statement, including all information concerning the Deposit Trust Company and the book-entry only system for the 2010 Series A Bonds, on which we express no opinion) that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

The Purchase Contract has been validly authorized, executed and delivered by the Underwriter and, assuming due authorization, execution and delivery by the Issuer, constitutes a valid and binding agreement, enforceable in accordance with its terms, except as such may be limited by bankruptcy, insolvency, reorganization, moratorium and other such laws affecting the respective parties, the exercise of judicial discretion or the availability of equitable remedies.

This opinion is solely for the benefit of, and may be relied upon only by, the Underwriter; and it is not to be used, circulated, quoted or otherwise referred to for any other purpose, except that a copy hereof may be included in the transcript of closing documents pertaining to the delivery of the 2010 Series A Bonds.

Very truly yours,

  
STEPTOE & JOHNSON PLLC



500 LEE STREET EAST • SUITE 1600 • P.O. BOX 553 • CHARLESTON, WEST VIRGINIA 25322 • TELEPHONE: 304-340-1000 • TELECOPIER: 304-340-1130  
www.jacksonkelly.com

June 24, 2010

\$1,895,000  
Jefferson County Public Service District  
(West Virginia)  
Sewer Refunding Revenue Bonds, 2010 Series A

Crews & Associates, Inc.  
Charleston, West Virginia

Spilman Thomas & Battle, PLLC  
Charleston, West Virginia

Ladies and Gentlemen:

We have served as counsel to the West Virginia Municipal Bond Commission (the "Commission"), in its capacity as (i) Paying Agent under a Bond Resolution adopted by the Public Service Board of Jefferson County Public Service District (the "Issuer") on April 6, 2010, as supplemented by a Supplemental Resolution adopted by the Issuer on June 18, 2010 (collectively, the "Resolution"), and the Certificate of Determination dated June 17, 2010, relating to the above-referenced bonds (the "2010 Series A Bonds"), and (ii) Escrow Agent under the Escrow Agreement dated as of June 24, 2010 (the "Escrow Agreement"), by and between the Issuer and the Commission, as Escrow Agent. In that connection, we are familiar with the Commission's statutory authority serve as Paying Agent and Escrow Agent. In addition, we have examined executed counterparts of the Resolution and the Escrow Agreement. Capitalized terms used but not defined herein shall have the same meanings as those terms are given in the Resolution.

Based upon the foregoing and upon such other documents, certificates and information as we have considered relevant and necessary to enable us to render this opinion, we are of the opinion that:

1. The Commission has the power and authority to execute, deliver and perform its obligations under the Resolution and the Escrow Agreement.
2. The acceptance of the appointment as Paying Agent under the Resolution and as Escrow Agent under the Escrow Agreement has been authorized by all necessary action on the part of the Commission.
3. The Escrow Agreement has been duly and validly authorized, executed and delivered by the Commission, in its capacity as Escrow Agent, and, assuming due

authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding agreement of the Commission, enforceable against it in accordance with its terms, except to the extent that enforceability may be limited by bankruptcy, insolvency or other laws or equitable principles affecting creditors' rights generally.

4. Neither the execution nor delivery by the Commission of its obligations under the Resolution or the Escrow Agreement requires the consent or approval of, the giving of notice to, or the registration or filing with any governmental agency under any existing federal or state law, except as may have been made or maintained.

The opinions given herein are limited to the specific matters mentioned above arising under the laws of the State of West Virginia, and we express no opinion as to the laws of any other jurisdiction.

The opinions rendered herein are as of the date hereof. We assume no obligation and disclaim any responsibility to update or supplement these opinions to reflect any facts that hereafter may come to our attention or any changes in facts or law subsequent to the date hereof.

This letter is intended solely for the information of the parties to whom it is addressed, and solely in connection with closing the transactions referred to herein, and it is not to be relied upon by any other person or for any other purpose, or quoted in whole or part, or otherwise referred to in any document (except those included in any transcript of proceedings delivered in connection with the 2010 Series A Bonds (the "Transcript")), or to be filed with any governmental or other administrative agency or other person, without the prior written consent of this firm; provided, that it may be included in the Transcript.

Very truly yours,

  
JACKSON KELLY PLLC

**Karrie M. Mattox**

---

**From:** Karrie M. Mattox  
**Sent:** Monday, May 24, 2010 12:54 PM  
**To:** thomas.vlahakis@bnymellon.com  
**Cc:** Elizabeth A. Benedetto; Greg Isaacs; James V. Kelsh, Esq.; Thomas Aman; baird@bankofNY.com; Karen M. Wolfe  
**Subject:** JCPSD (2010A) - Notice of Redemption.DOC  
**Importance:** High  
**Attachments:** JCPSD 1998 A Supplemental Resolution.pdf; JCPSD 1998 A Bond Resolution - Notice of Redemption.pdf; JCPSD (2010A) - Notice of Redemption.pdf

Tom-

Banc One served as Registrar on the Jefferson County PSD 1998 A Bond issue. My understanding from Chase is that Bank of NY took over Trustee services. We are serving as bond counsel to Jefferson County Public Service District for the issuance of the 2010 A Refunding Bonds to refund the 1998 A Bonds. We just received a PSC Order late last week and are in a position for a quick closing on this issuance. Closing is scheduled for June 24th and we will redeem bonds on June 25th. WV Municipal Bond Commission serves as Paying Agent. Pursuant to the 1998 A Bond Resolution, the Redemption Notice must be sent out no later than 30 days' prior to the Redemption Date. Therefore, we need the Redemption Notice sent out tomorrow pursuant to Section 3.07 of the 1998 A Bond Resolution. I have attached the Redemption Notice and Section 3.07 of the 1998 A Bond Resolution regarding the Notice provisions and the Supplemental Resolution regarding of Registrar. Please forward the Redemption Notice as provided in Section 3.07 tomorrow, **May 25th** in order to meet the 30 day requirement. If you would please e-mail the working group confirmation of the same, I would appreciate it.

I am out of the office but will be checking e-mails periodically. Elizabeth Benedetto is assisting me and can be reached at [ebenedetto@spilmanlaw.com](mailto:ebenedetto@spilmanlaw.com) or (304) 340-3800.

Thanks much! Karrie

**Karrie M. Mattox**

Paralegal  
Spilman Thomas & Battle, PLLC  
t 304.340.3879  
f 304.340.3801  
[kmatttox@spilmanlaw.com](mailto:kmatttox@spilmanlaw.com)

6/22/2010



**NRMSIRs, SIDs, And Other Parties Specified By SEC Rule 15c2-12  
Official Confirmation of SEC Required Notifications to Depositories,**

**FCC Ref #:** 310514  
**Issuer:** Jefferson County Public Service District  
**Issue Title:** Sewer Refunding Revenue Bonds, Series 1998  
A  
**Action Date:** 6/25/2010  
**Pub Date:** 5/26/2010  
**Account:**  
**Note:** Redemption

| <b>Firm</b> | <b>Date Sent</b> | <b>Representative</b>                                             |
|-------------|------------------|-------------------------------------------------------------------|
| Bloomberg   | 5/25/2010        | Ken Fay; Gabriela Samynek                                         |
| DTC         | 5/25/2010        | Tom Cavagnetto; Jackie Jarrett; Kathy Caziarc                     |
| EMMA        | 5/25/2010        | <a href="http://www.emma.msrb.org/">http://www.emma.msrb.org/</a> |
| FII         | 5/25/2010        | Andreas McClamb; Don Hardie                                       |
| IDC NRMSIR  | 5/25/2010        | Joan Donovan; Eileen Donnelly                                     |
| Mergent FIS | 5/25/2010        | Karen Peterson; Martha Straite                                    |

State of New York

City and County of New York:

I, Eric June, being duly sworn according to law, depose and say that I am the Director of Disclosure for Fiduciary Communications Company and that the above described notice was sent to the above listed organizations, acting through their duly designated representatives shown above.

A handwritten signature in black ink, appearing to read 'Eric June'.

Date: 5/25/2010

Eric June  
Director, Disclosure

*Barbara A. Isaacson*

Notary Public

BARBARA A. ISAACSON  
Notary Public, State of New York  
No. 01N04604928  
Qualified in Westchester County  
Commission Expires April 30, 2010



TO BE SENT NO LATER THAN TUESDAY, MAY 25, 2010

**[Registrar to send via registered or certified mail to DTC, Bond Insurer and S&P]**

NOTICE OF REDEMPTION

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS,  
SERIES 1998 A

DATE OF DELIVERY: February 15, 1998

| Maturity        | Current Balance Outstanding | Original CUSIP Nos. | Interest Rate |
|-----------------|-----------------------------|---------------------|---------------|
| October 1, 2013 | \$260,000                   | 473671AC9           | 5.000%        |
| October 1, 2018 | \$415,000                   | 473671AD7           | 5.125%        |
| October 1, 2028 | \$1,210,000                 | 473671AE5           | 5.250%        |

NOTICE IS HEREBY GIVEN by the Jefferson County Public Service District (the "District") to the Holders of the Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, Series 1998 A (the "Series 1998 A Bonds") maturing on and in the principal amounts as stated above, as follows:

The District anticipates issuing its Sewer Refunding Revenue Bonds, 2010 Series A on or about June 24, 2010 (the "2010 Bonds") to provide funds, together with other available funds, to pay 100% of the principal amount outstanding, without premium, plus accrued interest to the date of redemption (the "Redemption Price") of the Series 1998 A Bonds on **June 25, 2010** (the "Redemption Date"), the date on which the District has elected to call the Series 1998 A Bonds for optional redemption prior to maturity.

A portion of the moneys from the issuance of the 2010 Bonds are expected to be deposited with the West Virginia Municipal Bond Commission, as paying agent (the "Paying Agent") under the Bond Resolution adopted by the Public Service Board of the District on February 26, 1998 (the "1998 Resolution") and as Escrow Agent under an Escrow Deposit Agreement with the District dated on or about June 24, 2010, pursuant to the Bond Resolution adopted by the Public Service Board of the District on April 6, 2010 (the "2010 Resolution"), together with other funds deposited therein, in an amount sufficient to pay the Redemption Price of the Series 1998 A Bonds on the Redemption Date.

**On the Redemption Date, the Series 1998 A Bonds will cease to bear interest and the Bondholders thereof shall cease to be entitled to the benefits or security of the 1998 Resolution except to receive payment of the Redemption Price on the Redemption Date. From and after the Redemption Date, the Series 1998 A Bonds shall be required to be surrendered at the address set forth below.**

**This Notice is conditional upon the receipt of the Redemption Price by the Paying Agent, on or prior to the Redemption Date and satisfaction of any other conditions precedent to redeeming the Series 1998 A Bonds under the 1998 Indenture.**

Payment of the Series 1998 A Bonds called for redemption will be made upon presentation and surrender of the Series 1998 A Bonds to the Paying Agent at the address set forth below.

The 2010 Resolution and the related bond documents are on file at the address below for inspection by all Bondholders of the Series 1998 A Bonds.

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

By: J.P. Morgan Chase Bank, Registrar

PAYING AGENT:

West Virginia Municipal Bond Commission  
1207 Quarrier Street  
Charleston, West Virginia 25301  
Phone: (304) 558-3971

Dated: May 25, 2010

**NOTICE**

Withholding of 28% of gross redemption proceeds of any payment made within the United States may be required by the Interest and Dividend Tax Compliance Act of 1983 unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.



SPILMAN THOMAS & BATTLE, PLLC  
ATTORNEYS AT LAW

June 22, 2010

\$1,895,000

Jefferson County Public Service District  
(West Virginia)

Sewer Refunding Revenue Bonds, 2010 Series A

VIA E-MAIL AND REGULAR MAIL

Sara Boardman, Executive Director  
West Virginia Municipal Bond Commission  
Charleston, West Virginia 25301

Dear Sara:

As bond counsel for Jefferson County Public Service District (the "Issuer"), we wish to advise you that on June 24, 2010 (the "Closing Date"), the Issuer will deliver the above-captioned refunding bonds (the "2010 Series A Bonds") to Crews & Associates, Inc. (the "Purchaser"). Proceeds of the 2010 Series A Bonds will be used to refund the Issuer's Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998 (the "Bonds to be Refunded"). On the Closing Date, the Issuer will be required to fund an Escrow Fund (the "Escrow Fund"), pursuant to an Escrow Agreement to be dated June 24, 2010 by and between the Issuer and the West Virginia Municipal Bond Commission (the "Bond Commission"), as Escrow Agent. On such date, the Issuer will also be required to fund the 2010 Series A Bonds Reserve Account, which will be held by the Bond Commission within the 2010 Series A Bonds Sinking Fund.

The Escrow Fund shall be funded with \$1,644,891.01 from the proceeds of the 2010 Series A Bonds and \$262,927.53 from the Bonds to be Refunded Sinking Fund and Reserve Account. The transfers from the Bonds to be Refunded Sinking Fund and Reserve Account should be made on the Closing Date. The Bonds to be Refunded will be redeemed on June 25, 2010.

Proceeds of the 2010 Series A Bonds in the amount of \$153,856.26 will also be wired to the Bond Commission on the Closing Date and should be deposited in the 2010 Series A Bonds Reserve Account in an amount sufficient to meet the Debt Service Reserve Requirement.

If you have any questions regarding the foregoing, please feel free to call me.

Very truly yours,

2071588 (12123.2)

Spilman Center | 300 Kanawha Boulevard, East | Post Office Box 273 | Charleston, West Virginia 25321-0273  
www.spilmanlaw.com | 304.340.3800 | 304.340.3801 fax

West Virginia

North Carolina

Pennsylvania

Virginia

\$1,895,000  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

ESCROW AGREEMENT

This ESCROW AGREEMENT, made and entered into as of June 24, 2010, by and between JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (the "Issuer") and the WEST VIRGINIA MUNICIPAL BOND COMMISSION (the "Commission" or the "Escrow Agent").

WITNESSETH THAT:

WHEREAS, the Issuer presently owns and operates a public sewerage system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of Prior Bonds (as hereinafter defined), including its Sewer Refunding Revenue Bonds, Series 1998A, dated February 15, 1998, issued in the original aggregate principal amount of \$2,430,000 (the "Bonds to be Refunded");

WHEREAS, the Issuer currently has outstanding its (i) Sewer Revenue Bonds, Series 1988B, dated May 5, 1988, issued in the original aggregate principal amount of \$425,767 (the "Series 1988B Bonds"), (ii) Sewer Revenue Bonds, Series 1993A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of \$971,000 (the "Series 1993A Bonds"), (iii) Sewer Revenue Bonds, Series 1998B (West Virginia SRF Program), dated June 2, 1998, issued in the original aggregate principal amount of \$599,089 (the "Series 1998B Bonds"), (iv) Sewer Revenue Bonds, Series 1998C (West Virginia Infrastructure Fund), dated June 25, 1998, issued in the original aggregate principal amount of \$662,039 (the "Series 1998C Bonds"), (v) Sewer Revenue Bonds, Series 1999A (West Virginia SRF Program), dated December 8, 1999, issued in the original aggregate principal amount of \$378,363 (the "Series 1999A Bonds"), (vi) Sewer Revenue Bonds, Series 2000A (West Virginia Infrastructure Fund), dated June 22, 2000, issued in the original aggregate principal amount of \$1,154,889 (the "Series 2000A Bonds"), and (vii) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated June 18, 2008, issued in the original aggregate principal amount of \$2,005,000 (the "Series 2008A Bonds," and collectively with the Series 1988B Bonds, the Series 1993A Bonds, the Series 1998B Bonds, the Series 1998C Bonds, the Series 1999A Bonds and the Series 2008 A Bonds, the "Prior Bonds").

WHEREAS, under the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and empowered to issue refunding revenue bonds for the purpose of retiring or refinancing all or any part of the outstanding Bonds to be Refunded;

WHEREAS, the Issuer is advised that present value debt service savings will be realized as a result of the refunding of the Bonds to be Refunded;

WHEREAS, the Issuer has determined and hereby determines that it would therefore be to the benefit of the Issuer and its customers to refund and redeem the Bonds to be Refunded on the Redemption Date (hereinafter defined), in the manner set forth herein with proceeds of a series of bonds to be designated "Sewer Refunding Revenue Bonds, 2010 Series A," in the principal amount of \$1,895,000, together with other moneys of the Issuer;

WHEREAS, the Bonds to be Refunded were issued pursuant to a resolution of the Issuer duly adopted on February 26, 1998, as supplemented by a resolution of the Issuer duly adopted on February 26, 1998 (collectively, the "1998 Resolution");

WHEREAS, the Issuer has determined to issue its Sewer Refunding Revenue Bonds, 2010 Series A (the "2010 Series A Bonds") pursuant to a resolution adopted April 6, 2010 (the "Resolution"), and contemporaneously therewith, legally pay in full the Bonds to be Refunded by depositing proceeds of the 2010 Series A Bonds and certain moneys of the Issuer presently held by the Commission in the Bonds to be Refunded Reserve Account and the Bonds to be Refunding Sinking Fund, with the Escrow Agent to be held in the Escrow Deposit Fund (as hereinafter defined);

WHEREAS, capitalized terms used herein and otherwise defined shall have the meanings set forth in the Resolution;

WHEREAS, the amounts deposited in the Escrow Deposit Fund delivered to the Escrow Agent simultaneously with the delivery of the 2010 Series A Bonds, are sufficient to insure payment on the redemption date thereof, being June 25, 2010 (the "Redemption Date"), the entire remaining principal amount of the Bonds to be Refunded then outstanding, together with interest accrued thereon to such date (collectively, the "Redemption Price") and the Redemption Price is an amount sufficient to fully pay in full the Bonds to be Refunded pursuant to the Verification Report, dated June 22, 2010, of Herman & Cormany, CPAs, A.C., a firm of independent certified public accountants, attached hereto as EXHIBIT A – VERIFICATION REPORT (the "Verification Report"); and

WHEREAS, the Issuer has found it desirable to appoint the Escrow Agent and the Escrow Agent has agreed to such appointment for the purposes of receiving the deposits to the Escrow Deposit Fund and disbursing to the paying agent such amounts as may be necessary to provide the Redemption Price on the Redemption Date;

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and in order further to secure payment of the Bonds to be Refunded, as heretofore provided, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives, successors and assigns, as follows:

1. There is hereby created and established with the Escrow Agent an irrevocable trust fund to be known as the "Escrow Deposit Fund," to be held in the custody of the Escrow Agent, separate and apart from all other funds of the Issuer and the Escrow Agent. The deposits of moneys in the Escrow Deposit Fund shall constitute an irrevocable deposit of said moneys in trust for, and such moneys, together with any income or interest earned thereon, shall be applied, except as otherwise provided herein, to the payment of the Redemption Price of the Bonds to be Refunded on the Redemption Date, all in accordance with paragraph 4 hereof.

2. Concurrently with the delivery of the 2010 Series A Bonds, the Commission shall transfer from the Bonds to be Refunded Sinking Fund the sum of \$100,016.07 for deposit into the Escrow Deposit Fund and from the Bonds to be Refunded Reserve Account the sum of \$162,911.46 for deposit into the Escrow Deposit Fund.

3. Concurrently with the delivery of the 2010 Series A Bonds, the Issuer and the Escrow Agent shall cause \$1,907,818.54, consisting of (i) 2010 Series A Bonds proceeds in the amount of \$1,644,891.01, and (ii) the amounts described in paragraph 2 above, to be deposited in the Escrow Deposit Fund and shall be applied solely to the payment of the Bonds to be Refunded.

4. Herman & Cormany, CPAs, A.C., has certified, in its Verification Report, attached hereto as EXHIBIT A, that the moneys in the Escrow Deposit Fund will be sufficient to pay the Redemption Price on the Bonds to be Refunded on the Redemption Date. The moneys in the Escrow Deposit Fund shall not be invested.

5. To effect the redemption of the Bonds to be Refunded on the Redemption Date, the Escrow Agent shall transfer from the Escrow Deposit Fund in immediately available funds on the Redemption Date, the payment of the Redemption Price on the Bonds to be Refunded to the Holders of the Bonds to be Refunded.

6. The Holders of the Bonds to be Refunded shall have an express lien on all money and assets in the Escrow Deposit Fund until paid out, used and applied in accordance with this Agreement.

7. Subject to the provisions of paragraph 15 hereof, 24 months after the payment of all amounts required to be paid pursuant to paragraph 4 of this Agreement, the amounts remaining in the Escrow Deposit Fund, if any, shall be deposited by the Escrow Agent in the 2010 Series A Bonds Sinking Fund, and applied to payment of the 2010 Series A Bonds.

8. The Escrow Agent shall be entitled to fees for services rendered under this Escrow Agreement and reasonable expenses as set forth in EXHIBIT B – ESCROW AGENT FEES, attached hereto. The Issuer shall pay from its own funds, to the Escrow Agent the amounts at the times set forth in EXHIBIT B. In no event shall such fees or expenses be paid from the Escrow Deposit Fund, nor shall the Escrow Agent or the paying

agent have any lien whatsoever upon any of the moneys in the Escrow Deposit Fund for the payment of such fees or expenses.

9. The Issuer and the Escrow Agent independently hereby covenant that no part of the moneys or funds at any time in the Escrow Deposit Fund shall be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Bonds to be Refunded or the 2010 Series A Bonds to be an "arbitrage bond" as defined in Section 148 of the Code, or to be subject to treatment under Section 148 as an obligation not described in Section 103 of the Code.

10. The Escrow Agent shall not have any responsibility with respect to the sufficiency of this Escrow Agreement to effect payment, redemption or defeasance of the Bonds to be Refunded. The liability of the Escrow Agent for the payment of the Redemption Price of the Bonds to be Refunded shall be limited to the payment of all amounts required to be paid pursuant to paragraph 4 hereof. The Escrow Agent shall not be liable or responsible because of the failure of the Issuer to perform any act required of it by this Escrow Agreement. The Escrow Agent shall have no responsibility to the Issuer or any other person in connection with this Escrow Agreement except as specifically provided herein, and shall not be responsible for anything done or omitted to be done by it except for its own negligence or willful default in the performance of any obligation imposed on it hereunder.

11. By execution of this Escrow Agreement, the Escrow Agent accepts the duties and obligations as Escrow Agent hereunder. The Escrow Agent represents that it has all requisite power, and has taken all action necessary to execute the trusts hereby created.

12. If the Escrow Agent is called upon by the terms of this Escrow Agreement to determine the occurrence of any event or contingency, the Escrow Agent may request from the Issuer or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may inquire and consult with the Issuer, at any time. The Escrow Agent may request an opinion of counsel for a determination of any legal issue which might arise in the performance of its duties hereunder and may act in accordance with the advice given in such opinion.

13. The Escrow Agent may act upon any notice, request, waiver, consent, certificate, receipt, authorization, power of attorney or other instrument or document which the Escrow Agent in good faith believes to be genuine and correct and to have been signed or sent by the proper person or persons.

14. The Escrow Agent may resign or be removed by the Issuer, and thereby become discharged from the trusts hereby created, by notice given to the Issuer not less than thirty (30) days before such resignation or removal shall take effect. Such resignation or removal shall take effect immediately, however, upon the earlier appointment of a new Escrow Agent hereunder and acceptance of the trusts hereby created. The Escrow Agent shall continue to serve as Escrow Agent until a successor is appointed and the funds held

hereunder transferred. The Escrow Agent shall provide a proper accounting to the Issuer of all funds deposited pursuant to this Escrow Agreement within 30 days of the appointment of a successor Escrow Agent. If no such appointment has been made at the end of the 30 day period, the Escrow Agent may petition a court of competent jurisdiction for appointment of a successor or temporary Escrow Agent. In the event of the resignation or removal of the Escrow Agent, the Escrow Agent shall rebate to the Issuer any fees theretofore paid in advance by the Issuer to the Escrow Agent for its services under this Escrow Agreement.

15. This Escrow Agreement is made for the benefit of the Issuer, the Escrow Agent and the Holders of the Bonds to be Refunded, except as otherwise expressly provided herein. This Escrow Agreement may be modified or amended at anytime in writing by the parties hereto, provided, however, that no such modification or amendment shall be made which would materially adversely affect the interest of any of the Holders of the Bonds to be Refunded.

16. If any outstanding Bonds to be Refunded are not presented for payment on the Redemption Date, and moneys are held by the Escrow Agent for payment thereof, such moneys shall be held for such purposes for a period of 2 years from the Redemption Date, at which time such moneys shall be paid as set forth in paragraph 7 above. Following such payment to the Issuer, the Issuer shall be responsible for payment to any Holder of the Bonds to be Refunded presenting such Bonds to be Refunded to the Escrow Agent of the amount payable to such Holder.

17. This Escrow Agreement shall terminate on the earlier of the date on which all the outstanding Bonds to be Refunded have been redeemed, paid in full and discharged, or, as described in paragraph 16 above, 24 months after the last date on which payment on the Bonds to be Refunded is due. Upon termination of this Escrow Agreement, any remaining moneys in the Escrow Deposit Fund shall be transferred as provided in paragraph 7 hereof.

18. If any one or more of the covenants or agreements provided in this Escrow Agreement to be performed on the part of any of the parties hereto shall be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreement shall be deemed and construed to be severable from the remaining covenants and agreements here in contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

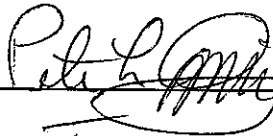
19. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

20. This Escrow Agreement is made in the State of West Virginia under the Constitution and laws of such State and is to be so construed.



IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement  
on the day and year first above written.

JEFFERSON COUNTY PUBLIC SERVICE  
DISTRICT

By:   
Its: President

WEST VIRGINIA MUNICIPAL BOND  
COMMISSION

By: \_\_\_\_\_  
Its: Executive Director

IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement  
on the day and year first above written.

JEFFERSON COUNTY PUBLIC SERVICE  
DISTRICT

By: \_\_\_\_\_

Its: \_\_\_\_\_

WEST VIRGINIA MUNICIPAL BOND  
COMMISSION

By:  \_\_\_\_\_

Its: Executive Director

## **EXHIBIT A – VERIFICATION REPORT**

# Herman & Cormany

## Certified Public Accountants, A.C.

---

Accountants & Consultants

June 22, 2010

Jefferson County Public Service District  
340 Edmond Road, Suite A  
Kearneysville, WV 25430

Spilman, Thomas & Battle, PLLC  
300 Kanawha Blvd., East  
Charleston, WV 25301

Crews & Associates, Inc.  
300 Summers Street, Suite 930  
Charleston, West Virginia 25301

### JEFFERSON COUNTY PUBLIC SERVICE DISTRICT \$1,895,000 SEWER REFUNDING REVENUE BONDS, SERIES 2010A

#### CERTIFICATE OF CERTIFIED PUBLIC ACCOUNTANT

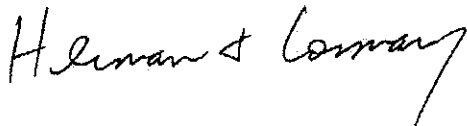
The undersigned hereby certifies as follows:

1. I am a certified public accountant licensed to practice in the State of West Virginia and independent from the Jefferson County Public Service District (the "Issuer").

2. Attached as Exhibit A and incorporated herein by reference is a schedule reflecting the debt service on the Issuer's Sewer Refunding Revenue Bonds, Series 1998A (the "Prior Bonds"); attached as Exhibit B and incorporated herein by reference is a schedule reflecting the debt service on the Issuer's Sewer Refunding Revenue Bonds, Series 2010A (the "Series 2010A Bonds"); and attached as Exhibit C and incorporated herein by reference is a schedule showing the net savings to the Issuer from the refunding. These debt service schedules were based on the principal and interest schedules of the respective bond issues.

3. Based upon the information provided related to the sources and uses of funds from the Sewer Refunding Revenue Bonds, Series 2010A, it is our opinion that funds provided on June 24, 2010 and held in escrow for one business day are sufficient to provide for the defeasance of the bonds for the prescribed amount on June 25, 2010. Additionally, it is our opinion that the funds provided by the Series 2010A Bonds are sufficient to pay the entire outstanding principal and interest of the Series 1998A Bonds on June 25, 2010.

WITNESS my signature this 22<sup>nd</sup> day of June, 2010.

A handwritten signature in cursive script that reads "Herman & Cormany".

HERMAN & CORMANY  
CERTIFIED PUBLIC ACCOUNTANTS, A.C.

## Exhibit A

Final

**\$2,000,000**

Jefferson County PSD  
Sewer Refunding Revenue Bonds  
Series 1998A

## Debt Service To Maturity And To Call

| Date         | Refunded Bonds        | Interest to Call   | D/S To Call           | Principal             | Coupon   | Interest              | Refunded D/S          |
|--------------|-----------------------|--------------------|-----------------------|-----------------------|----------|-----------------------|-----------------------|
| 06/24/2010   | -                     | -                  | -                     | -                     | -        | -                     | -                     |
| 06/25/2010   | 1,885,000.00          | 22,818.54          | 1,907,818.54          | -                     | -        | -                     | -                     |
| 10/01/2010   | -                     | -                  | -                     | 60,000.00             | 5.000%   | 48,896.88             | 108,896.88            |
| 04/01/2011   | -                     | -                  | -                     | -                     | -        | 47,396.88             | 47,396.88             |
| 10/01/2011   | -                     | -                  | -                     | 65,000.00             | 5.000%   | 47,396.88             | 112,396.88            |
| 04/01/2012   | -                     | -                  | -                     | -                     | -        | 45,771.88             | 45,771.88             |
| 10/01/2012   | -                     | -                  | -                     | 65,000.00             | 5.000%   | 45,771.88             | 110,771.88            |
| 04/01/2013   | -                     | -                  | -                     | -                     | -        | 44,146.88             | 44,146.88             |
| 10/01/2013   | -                     | -                  | -                     | 70,000.00             | 5.000%   | 44,146.88             | 114,146.88            |
| 04/01/2014   | -                     | -                  | -                     | -                     | -        | 42,396.88             | 42,396.88             |
| 10/01/2014   | -                     | -                  | -                     | 75,000.00             | 5.125%   | 42,396.88             | 117,396.88            |
| 04/01/2015   | -                     | -                  | -                     | -                     | -        | 40,475.00             | 40,475.00             |
| 10/01/2015   | -                     | -                  | -                     | 75,000.00             | 5.125%   | 40,475.00             | 115,475.00            |
| 04/01/2016   | -                     | -                  | -                     | -                     | -        | 38,553.13             | 38,553.13             |
| 10/01/2016   | -                     | -                  | -                     | 85,000.00             | 5.125%   | 38,553.13             | 123,553.13            |
| 04/01/2017   | -                     | -                  | -                     | -                     | -        | 36,375.00             | 36,375.00             |
| 10/01/2017   | -                     | -                  | -                     | 90,000.00             | 5.125%   | 36,375.00             | 126,375.00            |
| 04/01/2018   | -                     | -                  | -                     | -                     | -        | 34,068.75             | 34,068.75             |
| 10/01/2018   | -                     | -                  | -                     | 90,000.00             | 5.125%   | 34,068.75             | 124,068.75            |
| 04/01/2019   | -                     | -                  | -                     | -                     | -        | 31,762.50             | 31,762.50             |
| 10/01/2019   | -                     | -                  | -                     | 95,000.00             | 5.250%   | 31,762.50             | 126,762.50            |
| 04/01/2020   | -                     | -                  | -                     | -                     | -        | 29,268.75             | 29,268.75             |
| 10/01/2020   | -                     | -                  | -                     | 100,000.00            | 5.250%   | 29,268.75             | 129,268.75            |
| 04/01/2021   | -                     | -                  | -                     | -                     | -        | 26,643.75             | 26,643.75             |
| 10/01/2021   | -                     | -                  | -                     | 105,000.00            | 5.250%   | 26,643.75             | 131,643.75            |
| 04/01/2022   | -                     | -                  | -                     | -                     | -        | 23,887.50             | 23,887.50             |
| 10/01/2022   | -                     | -                  | -                     | 110,000.00            | 5.250%   | 23,887.50             | 133,887.50            |
| 04/01/2023   | -                     | -                  | -                     | -                     | -        | 21,000.00             | 21,000.00             |
| 10/01/2023   | -                     | -                  | -                     | 115,000.00            | 5.250%   | 21,000.00             | 136,000.00            |
| 04/01/2024   | -                     | -                  | -                     | -                     | -        | 17,981.25             | 17,981.25             |
| 10/01/2024   | -                     | -                  | -                     | 120,000.00            | 5.250%   | 17,981.25             | 137,981.25            |
| 04/01/2025   | -                     | -                  | -                     | -                     | -        | 14,831.25             | 14,831.25             |
| 10/01/2025   | -                     | -                  | -                     | 130,000.00            | 5.250%   | 14,831.25             | 144,831.25            |
| 04/01/2026   | -                     | -                  | -                     | -                     | -        | 11,418.75             | 11,418.75             |
| 10/01/2026   | -                     | -                  | -                     | 140,000.00            | 5.250%   | 11,418.75             | 151,418.75            |
| 04/01/2027   | -                     | -                  | -                     | -                     | -        | 7,743.75              | 7,743.75              |
| 10/01/2027   | -                     | -                  | -                     | 145,000.00            | 5.250%   | 7,743.75              | 152,743.75            |
| 04/01/2028   | -                     | -                  | -                     | -                     | -        | 3,937.50              | 3,937.50              |
| 10/01/2028   | -                     | -                  | -                     | 150,000.00            | 5.250%   | 3,937.50              | 153,937.50            |
| <b>Total</b> | <b>\$1,885,000.00</b> | <b>\$22,818.54</b> | <b>\$1,907,818.54</b> | <b>\$1,885,000.00</b> | <b>-</b> | <b>\$1,084,215.68</b> | <b>\$2,969,215.68</b> |

### Yield Statistics

|                                                   |              |
|---------------------------------------------------|--------------|
| Base date for Avg. Life & Avg. Coupon Calculation | 6/24/2010    |
| Average Life                                      | 10.773 Years |
| Average Coupon                                    | 5.2278603%   |
| Weighted Average Maturity (Par Basis)             | 10.773 Years |

### Refunding Bond Information

|                         |           |
|-------------------------|-----------|
| Refunding Dated Date    | 6/24/2010 |
| Refunding Delivery Date | 6/24/2010 |

Series 1998 | SINGLE PURPOSE | 6/17/2010 | 2:57 PM

**Crews & Associates, Inc.**  
Capital Markets

## Exhibit B



Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Debt Service Schedule

| Date         | Principal             | Coupon | Interest            | Total P+I             | Fiscal Total |
|--------------|-----------------------|--------|---------------------|-----------------------|--------------|
| 06/24/2010   | -                     | -      | -                   | -                     | -            |
| 10/01/2010   | -                     | -      | 19,900.16           | 19,900.16             | 19,900.16    |
| 04/01/2011   | -                     | -      | 36,928.13           | 36,928.13             | -            |
| 10/01/2011   | 80,000.00             | 3.000% | 36,928.13           | 116,928.13            | 153,856.26   |
| 04/01/2012   | -                     | -      | 35,728.13           | 35,728.13             | -            |
| 10/01/2012   | 80,000.00             | 3.000% | 35,728.13           | 115,728.13            | 151,456.26   |
| 04/01/2013   | -                     | -      | 34,528.13           | 34,528.13             | -            |
| 10/01/2013   | 80,000.00             | 3.000% | 34,528.13           | 114,528.13            | 149,056.26   |
| 04/01/2014   | -                     | -      | 33,328.13           | 33,328.13             | -            |
| 10/01/2014   | 85,000.00             | 3.500% | 33,328.13           | 118,328.13            | 151,656.26   |
| 04/01/2015   | -                     | -      | 31,840.63           | 31,840.63             | -            |
| 10/01/2015   | 85,000.00             | 3.500% | 31,840.63           | 116,840.63            | 148,681.26   |
| 04/01/2016   | -                     | -      | 30,353.13           | 30,353.13             | -            |
| 10/01/2016   | 90,000.00             | 3.500% | 30,353.13           | 120,353.13            | 150,706.26   |
| 04/01/2017   | -                     | -      | 28,778.13           | 28,778.13             | -            |
| 10/01/2017   | 95,000.00             | 3.500% | 28,778.13           | 123,778.13            | 152,556.26   |
| 04/01/2018   | -                     | -      | 27,115.63           | 27,115.63             | -            |
| 10/01/2018   | 95,000.00             | 3.750% | 27,115.63           | 122,115.63            | 149,231.26   |
| 04/01/2019   | -                     | -      | 25,334.38           | 25,334.38             | -            |
| 10/01/2019   | 100,000.00            | 3.750% | 25,334.38           | 125,334.38            | 150,668.76   |
| 04/01/2020   | -                     | -      | 23,459.38           | 23,459.38             | -            |
| 10/01/2020   | 105,000.00            | 4.000% | 23,459.38           | 128,459.38            | 151,918.76   |
| 04/01/2021   | -                     | -      | 21,359.38           | 21,359.38             | -            |
| 10/01/2021   | 110,000.00            | 4.000% | 21,359.38           | 131,359.38            | 152,718.76   |
| 04/01/2022   | -                     | -      | 19,159.38           | 19,159.38             | -            |
| 10/01/2022   | 110,000.00            | 4.100% | 19,159.38           | 129,159.38            | 148,318.76   |
| 04/01/2023   | -                     | -      | 16,904.38           | 16,904.38             | -            |
| 10/01/2023   | 115,000.00            | 4.100% | 16,904.38           | 131,904.38            | 148,808.76   |
| 04/01/2024   | -                     | -      | 14,546.88           | 14,546.88             | -            |
| 10/01/2024   | 120,000.00            | 4.375% | 14,546.88           | 134,546.88            | 149,093.76   |
| 04/01/2025   | -                     | -      | 11,921.88           | 11,921.88             | -            |
| 10/01/2025   | 125,000.00            | 4.375% | 11,921.88           | 136,921.88            | 148,843.76   |
| 04/01/2026   | -                     | -      | 9,187.50            | 9,187.50              | -            |
| 10/01/2026   | 135,000.00            | 4.375% | 9,187.50            | 144,187.50            | 153,375.00   |
| 04/01/2027   | -                     | -      | 6,234.38            | 6,234.38              | -            |
| 10/01/2027   | 140,000.00            | 4.375% | 6,234.38            | 146,234.38            | 152,468.76   |
| 04/01/2028   | -                     | -      | 3,171.88            | 3,171.88              | -            |
| 10/01/2028   | 145,000.00            | 4.375% | 3,171.88            | 148,171.88            | 151,343.76   |
| <b>Total</b> | <b>\$1,895,000.00</b> | -      | <b>\$839,659.08</b> | <b>\$2,734,659.08</b> | -            |

### Yield Statistics

|                                   |              |
|-----------------------------------|--------------|
| Bond Year Dollars                 | \$20,400.60  |
| Average Life                      | 10.765 Years |
| Average Coupon                    | 4.1158554%   |
| Net Interest Cost (NIC)           | 4.4001267%   |
| True Interest Cost (TIC)          | 4.4649502%   |
| Bond Yield for Arbitrage Purposes | 4.1569751%   |
| All Inclusive Cost (AIC)          | 4.6999249%   |

### IRS Form 8038

|                           |              |
|---------------------------|--------------|
| Net Interest Cost         | 4.2021998%   |
| Weighted Average Maturity | 10.738 Years |

Refunding Series 1998 (P) | SINGLE PURPOSE | 6/17/2010 | 2:57 PM

**Crews & Associates, Inc.**

Capital Markets

## Exhibit C

Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Debt Service Comparison

| Date       | Total P+I      | DSR          | Net New D/S    | Old Net D/S    | Savings      |
|------------|----------------|--------------|----------------|----------------|--------------|
| 10/01/2010 | 19,900.16      | -            | 19,900.16      | 8,880.81       | (11,019.35)  |
| 10/01/2011 | 153,856.26     | -            | 153,856.26     | 159,793.76     | 5,937.50     |
| 10/01/2012 | 151,456.26     | -            | 151,456.26     | 156,543.76     | 5,087.50     |
| 10/01/2013 | 149,056.26     | -            | 149,056.26     | 158,293.76     | 9,237.50     |
| 10/01/2014 | 151,656.26     | -            | 151,656.26     | 159,793.76     | 8,137.50     |
| 10/01/2015 | 148,681.26     | -            | 148,681.26     | 155,950.00     | 7,268.74     |
| 10/01/2016 | 150,706.26     | -            | 150,706.26     | 162,106.26     | 11,400.00    |
| 10/01/2017 | 152,556.26     | -            | 152,556.26     | 162,750.00     | 10,193.74    |
| 10/01/2018 | 149,231.26     | -            | 149,231.26     | 158,137.50     | 8,906.24     |
| 10/01/2019 | 150,668.76     | -            | 150,668.76     | 158,525.00     | 7,856.24     |
| 10/01/2020 | 151,918.76     | -            | 151,918.76     | 158,537.50     | 6,618.74     |
| 10/01/2021 | 152,718.76     | -            | 152,718.76     | 158,287.50     | 5,568.74     |
| 10/01/2022 | 148,318.76     | -            | 148,318.76     | 157,775.00     | 9,456.24     |
| 10/01/2023 | 148,808.76     | -            | 148,808.76     | 157,000.00     | 8,191.24     |
| 10/01/2024 | 149,093.76     | -            | 149,093.76     | 155,962.50     | 6,868.74     |
| 10/01/2025 | 148,843.76     | -            | 148,843.76     | 159,662.50     | 10,818.74    |
| 10/01/2026 | 153,375.00     | -            | 153,375.00     | 162,837.50     | 9,462.50     |
| 10/01/2027 | 152,468.76     | -            | 152,468.76     | 160,487.50     | 8,018.74     |
| 10/01/2028 | 151,343.76     | (153,856.26) | (2,512.50)     | (4,287.51)     | (1,775.01)   |
| Total      | \$2,734,659.08 | (153,856.26) | \$2,580,802.82 | \$2,707,037.10 | \$126,234.28 |

### PV Analysis Summary (Net to Net)

|                                                  |              |
|--------------------------------------------------|--------------|
| Gross PV Debt Service Savings                    | 188,549.69   |
| Effects of changes in DSR investments            | (3,917.04)   |
| Net PV Cashflow Savings @ 4.157%(Bond Yield)     | 184,632.64   |
| Transfers from Prior Issue Debt Service Fund     | (100,016.07) |
| Net Present Value Benefit                        | \$84,616.57  |
| Net PV Benefit / \$1,885,000 Refunded Principal  | 4.489%       |
| Net PV Benefit / \$1,895,000 Refunding Principal | 4.465%       |

### Refunding Bond Information

|                         |           |
|-------------------------|-----------|
| Refunding Dated Date    | 6/24/2010 |
| Refunding Delivery Date | 6/24/2010 |

Refunding Series 1998 (F) | SINGLE PURPOSE | 6/17/2010 | 2:57 PM

**Crews & Associates, Inc.**

Capital Markets

**EXHIBIT B – ESCROW AGENT FEES**

None.

\$1,895,000  
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

CERTIFICATE OF PAYING AGENT AS TO  
DISCHARGE OF BONDS TO BE REFUNDED

This Certificate is given in accordance with Article IX of the Bond Resolution, as supplemented, adopted by the Public Service Board of the Jefferson County Public Service District (the "Issuer") on February 26, 1998 (the "1998 Resolution").

The undersigned authorized officer of the West Virginia Municipal Bond Commission, as paying agent (the "Paying Agent") for the Bonds to be Refunded (herein defined) acknowledges receipt of (a) an amount equal to all principal of and interest on the Issuer's Sewer Refunding Revenue Bonds, Series 1998 A (the "Bonds to be Refunded") to be redeemed on June 25, 2010 (the "Redemption Date"), (b) the verification report of Herman & Cormany, CPAs, A.C., as to the adequacy of the escrow account established for payment of the Bonds to be Refunded, (c) to the best of its knowledge, all other sums payable by the Issuer under the 1998 Resolution, (d) the request of the Issuer to pay and defease the Bonds to be Refunded, and (e) an opinion of counsel stating that the Bonds to be Refunded are deemed to have been paid within the meaning of Section 9.01 of the 1998 Resolution.

Dated this 24th day of June, 2010.

WEST VIRGINIA MUNICIPAL BOND  
COMMISSION, as Paying Agent

By: \_\_\_\_\_

Its: Executive Director

# Herman & Cormany

## Certified Public Accountants, A.C.

---

Accountants & Consultants

June 22, 2010

Jefferson County Public Service District  
340 Edmond Road, Suite A  
Kearneysville, WV 25430

Spilman, Thomas & Battle, PLLC  
300 Kanawha Blvd., East  
Charleston, WV 25301

Crews & Associates, Inc.  
300 Summers Street, Suite 930  
Charleston, West Virginia 25301

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
\$1,895,000 SEWER REFUNDING REVENUE BONDS,  
SERIES 2010A

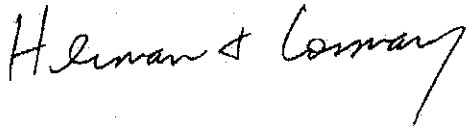
CERTIFICATE OF CERTIFIED PUBLIC ACCOUNTANT

The undersigned hereby certifies as follows:

1. I am a certified public accountant licensed to practice in the State of West Virginia and independent from the Jefferson County Public Service District (the "Issuer").
2. Attached as Exhibit A and incorporated herein by reference is a schedule reflecting the debt service on the Issuer's Sewer Refunding Revenue Bonds, Series 1998A (the "Prior Bonds"); attached as Exhibit B and incorporated herein by reference is a schedule reflecting the debt service on the Issuer's Sewer Refunding Revenue Bonds, Series 2010A (the "Series 2010A Bonds"); and attached as Exhibit C and incorporated herein by reference is a schedule showing the net savings to the Issuer from the refunding. These debt service schedules were based on the principal and interest schedules of the respective bond issues.

3. Based upon the information provided related to the sources and uses of funds from the Sewer Refunding Revenue Bonds, Series 2010A, it is our opinion that funds provided on June 24, 2010 and held in escrow for one business day are sufficient to provide for the defeasance of the bonds for the prescribed amount on June 25, 2010. Additionally, it is our opinion that the funds provided by the Series 2010A Bonds are sufficient to pay the entire outstanding principal and interest of the Series 1998A Bonds on June 25, 2010.

WITNESS my signature this 22<sup>nd</sup> day of June, 2010.

A handwritten signature in cursive script that reads "Herman & Cormany". The signature is written in dark ink and is positioned above the printed name of the firm.

HERMAN & CORMANY  
CERTIFIED PUBLIC ACCOUNTANTS, A.C.

## Exhibit A



Final

**\$2,000,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Series 1998A

## Debt Service To Maturity And To Call

| Date         | Refunded Bonds        | Interest to Call   | D/S To Call           | Principal             | Coupon   | Interest              | Refunded D/S          |
|--------------|-----------------------|--------------------|-----------------------|-----------------------|----------|-----------------------|-----------------------|
| 06/24/2010   | -                     | -                  | -                     | -                     | -        | -                     | -                     |
| 06/25/2010   | 1,885,000.00          | 22,818.54          | 1,907,818.54          | -                     | -        | -                     | -                     |
| 10/01/2010   | -                     | -                  | -                     | 60,000.00             | 5.000%   | 48,896.88             | 108,896.88            |
| 04/01/2011   | -                     | -                  | -                     | -                     | -        | 47,396.88             | 47,396.88             |
| 10/01/2011   | -                     | -                  | -                     | 65,000.00             | 5.000%   | 47,396.88             | 112,396.88            |
| 04/01/2012   | -                     | -                  | -                     | -                     | -        | 45,771.88             | 45,771.88             |
| 10/01/2012   | -                     | -                  | -                     | 65,000.00             | 5.000%   | 45,771.88             | 110,771.88            |
| 04/01/2013   | -                     | -                  | -                     | -                     | -        | 44,146.88             | 44,146.88             |
| 10/01/2013   | -                     | -                  | -                     | 70,000.00             | 5.000%   | 44,146.88             | 114,146.88            |
| 04/01/2014   | -                     | -                  | -                     | -                     | -        | 42,396.88             | 42,396.88             |
| 10/01/2014   | -                     | -                  | -                     | 75,000.00             | 5.125%   | 42,396.88             | 117,396.88            |
| 04/01/2015   | -                     | -                  | -                     | -                     | -        | 40,475.00             | 40,475.00             |
| 10/01/2015   | -                     | -                  | -                     | 75,000.00             | 5.125%   | 40,475.00             | 115,475.00            |
| 04/01/2016   | -                     | -                  | -                     | -                     | -        | 38,553.13             | 38,553.13             |
| 10/01/2016   | -                     | -                  | -                     | 85,000.00             | 5.125%   | 38,553.13             | 123,553.13            |
| 04/01/2017   | -                     | -                  | -                     | -                     | -        | 36,375.00             | 36,375.00             |
| 10/01/2017   | -                     | -                  | -                     | 90,000.00             | 5.125%   | 36,375.00             | 126,375.00            |
| 04/01/2018   | -                     | -                  | -                     | -                     | -        | 34,068.75             | 34,068.75             |
| 10/01/2018   | -                     | -                  | -                     | 90,000.00             | 5.125%   | 34,068.75             | 124,068.75            |
| 04/01/2019   | -                     | -                  | -                     | -                     | -        | 31,762.50             | 31,762.50             |
| 10/01/2019   | -                     | -                  | -                     | 95,000.00             | 5.250%   | 31,762.50             | 126,762.50            |
| 04/01/2020   | -                     | -                  | -                     | -                     | -        | 29,268.75             | 29,268.75             |
| 10/01/2020   | -                     | -                  | -                     | 100,000.00            | 5.250%   | 29,268.75             | 129,268.75            |
| 04/01/2021   | -                     | -                  | -                     | -                     | -        | 26,643.75             | 26,643.75             |
| 10/01/2021   | -                     | -                  | -                     | 105,000.00            | 5.250%   | 26,643.75             | 131,643.75            |
| 04/01/2022   | -                     | -                  | -                     | -                     | -        | 23,887.50             | 23,887.50             |
| 10/01/2022   | -                     | -                  | -                     | 110,000.00            | 5.250%   | 23,887.50             | 133,887.50            |
| 04/01/2023   | -                     | -                  | -                     | -                     | -        | 21,000.00             | 21,000.00             |
| 10/01/2023   | -                     | -                  | -                     | 115,000.00            | 5.250%   | 21,000.00             | 136,000.00            |
| 04/01/2024   | -                     | -                  | -                     | -                     | -        | 17,981.25             | 17,981.25             |
| 10/01/2024   | -                     | -                  | -                     | 120,000.00            | 5.250%   | 17,981.25             | 137,981.25            |
| 04/01/2025   | -                     | -                  | -                     | -                     | -        | 14,831.25             | 14,831.25             |
| 10/01/2025   | -                     | -                  | -                     | 130,000.00            | 5.250%   | 14,831.25             | 144,831.25            |
| 04/01/2026   | -                     | -                  | -                     | -                     | -        | 11,418.75             | 11,418.75             |
| 10/01/2026   | -                     | -                  | -                     | 140,000.00            | 5.250%   | 11,418.75             | 151,418.75            |
| 04/01/2027   | -                     | -                  | -                     | -                     | -        | 7,743.75              | 7,743.75              |
| 10/01/2027   | -                     | -                  | -                     | 145,000.00            | 5.250%   | 7,743.75              | 152,743.75            |
| 04/01/2028   | -                     | -                  | -                     | -                     | -        | 3,937.50              | 3,937.50              |
| 10/01/2028   | -                     | -                  | -                     | 150,000.00            | 5.250%   | 3,937.50              | 153,937.50            |
| <b>Total</b> | <b>\$1,885,000.00</b> | <b>\$22,818.54</b> | <b>\$1,907,818.54</b> | <b>\$1,885,000.00</b> | <b>-</b> | <b>\$1,084,215.68</b> | <b>\$2,969,215.68</b> |

### Yield Statistics

|                                                   |              |
|---------------------------------------------------|--------------|
| Base date for Avg. Life & Avg. Coupon Calculation | 6/24/2010    |
| Average Life                                      | 10.773 Years |
| Average Coupon                                    | 5.2278603%   |
| Weighted Average Maturity (Par Basis)             | 10.773 Years |

### Refunding Bond Information

|                         |           |
|-------------------------|-----------|
| Refunding Dated Date    | 6/24/2010 |
| Refunding Delivery Date | 6/24/2010 |

Series 1998 | SINGLE PURPOSE | 6/17/2010 | 2:57 PM

**Crews & Associates, Inc.**

Capital Markets

## Exhibit B

Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Debt Service Schedule

| Date         | Principal             | Coupon   | Interest            | Total P+I             | Fiscal Total |
|--------------|-----------------------|----------|---------------------|-----------------------|--------------|
| 06/24/2010   | -                     | -        | -                   | -                     | -            |
| 10/01/2010   | -                     | -        | 19,900.16           | 19,900.16             | 19,900.16    |
| 04/01/2011   | -                     | -        | 36,928.13           | 36,928.13             | -            |
| 10/01/2011   | 80,000.00             | 3.000%   | 36,928.13           | 116,928.13            | 153,856.26   |
| 04/01/2012   | -                     | -        | 35,728.13           | 35,728.13             | -            |
| 10/01/2012   | 80,000.00             | 3.000%   | 35,728.13           | 115,728.13            | 151,456.26   |
| 04/01/2013   | -                     | -        | 34,528.13           | 34,528.13             | -            |
| 10/01/2013   | 80,000.00             | 3.000%   | 34,528.13           | 114,528.13            | 149,056.26   |
| 04/01/2014   | -                     | -        | 33,328.13           | 33,328.13             | -            |
| 10/01/2014   | 85,000.00             | 3.500%   | 33,328.13           | 118,328.13            | 151,656.26   |
| 04/01/2015   | -                     | -        | 31,840.63           | 31,840.63             | -            |
| 10/01/2015   | 85,000.00             | 3.500%   | 31,840.63           | 116,840.63            | 148,681.26   |
| 04/01/2016   | -                     | -        | 30,353.13           | 30,353.13             | -            |
| 10/01/2016   | 90,000.00             | 3.500%   | 30,353.13           | 120,353.13            | 150,706.26   |
| 04/01/2017   | -                     | -        | 28,778.13           | 28,778.13             | -            |
| 10/01/2017   | 95,000.00             | 3.500%   | 28,778.13           | 123,778.13            | 152,556.26   |
| 04/01/2018   | -                     | -        | 27,115.63           | 27,115.63             | -            |
| 10/01/2018   | 95,000.00             | 3.750%   | 27,115.63           | 122,115.63            | 149,231.26   |
| 04/01/2019   | -                     | -        | 25,334.38           | 25,334.38             | -            |
| 10/01/2019   | 100,000.00            | 3.750%   | 25,334.38           | 125,334.38            | 150,668.76   |
| 04/01/2020   | -                     | -        | 23,459.38           | 23,459.38             | -            |
| 10/01/2020   | 105,000.00            | 4.000%   | 23,459.38           | 128,459.38            | 151,918.76   |
| 04/01/2021   | -                     | -        | 21,359.38           | 21,359.38             | -            |
| 10/01/2021   | 110,000.00            | 4.000%   | 21,359.38           | 131,359.38            | 152,718.76   |
| 04/01/2022   | -                     | -        | 19,159.38           | 19,159.38             | -            |
| 10/01/2022   | 110,000.00            | 4.100%   | 19,159.38           | 129,159.38            | 148,318.76   |
| 04/01/2023   | -                     | -        | 16,904.38           | 16,904.38             | -            |
| 10/01/2023   | 115,000.00            | 4.100%   | 16,904.38           | 131,904.38            | 148,808.76   |
| 04/01/2024   | -                     | -        | 14,546.88           | 14,546.88             | -            |
| 10/01/2024   | 120,000.00            | 4.375%   | 14,546.88           | 134,546.88            | 149,093.76   |
| 04/01/2025   | -                     | -        | 11,921.88           | 11,921.88             | -            |
| 10/01/2025   | 125,000.00            | 4.375%   | 11,921.88           | 136,921.88            | 148,843.76   |
| 04/01/2026   | -                     | -        | 9,187.50            | 9,187.50              | -            |
| 10/01/2026   | 135,000.00            | 4.375%   | 9,187.50            | 144,187.50            | 153,375.00   |
| 04/01/2027   | -                     | -        | 6,234.38            | 6,234.38              | -            |
| 10/01/2027   | 140,000.00            | 4.375%   | 6,234.38            | 146,234.38            | 152,468.76   |
| 04/01/2028   | -                     | -        | 3,171.88            | 3,171.88              | -            |
| 10/01/2028   | 145,000.00            | 4.375%   | 3,171.88            | 148,171.88            | 151,343.76   |
| <b>Total</b> | <b>\$1,895,000.00</b> | <b>-</b> | <b>\$839,659.08</b> | <b>\$2,734,659.08</b> | <b>-</b>     |

### Yield Statistics

|                                   |              |
|-----------------------------------|--------------|
| Bond Year Dollars                 | \$20,400.60  |
| Average Life                      | 10.765 Years |
| Average Coupon                    | 4.1158554%   |
| Net Interest Cost (NIC)           | 4.4001267%   |
| True Interest Cost (TIC)          | 4.4649502%   |
| Bond Yield for Arbitrage Purposes | 4.1569751%   |
| All Inclusive Cost (AIC)          | 4.6999249%   |

### IRS Form 8038

|                           |              |
|---------------------------|--------------|
| Net Interest Cost         | 4.2021998%   |
| Weighted Average Maturity | 10.738 Years |

Refunding Series 1998A (P) | SINGLE PURPOSE | 6/17/2016 | 2:57 PM

**Crews & Associates, Inc.**

Capital Markets

## Exhibit C

Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Debt Service Comparison

| Date       | Total P+I      | DSR          | Net New D/S    | Old Net D/S    | Savings      |
|------------|----------------|--------------|----------------|----------------|--------------|
| 10/01/2010 | 19,900.16      | -            | 19,900.16      | 8,880.81       | (11,019.35)  |
| 10/01/2011 | 153,856.26     | -            | 153,856.26     | 159,793.76     | 5,937.50     |
| 10/01/2012 | 151,456.26     | -            | 151,456.26     | 156,543.76     | 5,087.50     |
| 10/01/2013 | 149,056.26     | -            | 149,056.26     | 158,293.76     | 9,237.50     |
| 10/01/2014 | 151,656.26     | -            | 151,656.26     | 159,793.76     | 8,137.50     |
| 10/01/2015 | 148,681.26     | -            | 148,681.26     | 155,950.00     | 7,268.74     |
| 10/01/2016 | 150,706.26     | -            | 150,706.26     | 162,106.26     | 11,400.00    |
| 10/01/2017 | 152,556.26     | -            | 152,556.26     | 162,750.00     | 10,193.74    |
| 10/01/2018 | 149,231.26     | -            | 149,231.26     | 158,137.50     | 8,906.24     |
| 10/01/2019 | 150,668.76     | -            | 150,668.76     | 158,525.00     | 7,856.24     |
| 10/01/2020 | 151,918.76     | -            | 151,918.76     | 158,537.50     | 6,618.74     |
| 10/01/2021 | 152,718.76     | -            | 152,718.76     | 158,287.50     | 5,568.74     |
| 10/01/2022 | 148,318.76     | -            | 148,318.76     | 157,775.00     | 9,456.24     |
| 10/01/2023 | 148,808.76     | -            | 148,808.76     | 157,000.00     | 8,191.24     |
| 10/01/2024 | 149,093.76     | -            | 149,093.76     | 155,962.50     | 6,868.74     |
| 10/01/2025 | 148,843.76     | -            | 148,843.76     | 159,662.50     | 10,818.74    |
| 10/01/2026 | 153,375.00     | -            | 153,375.00     | 162,837.50     | 9,462.50     |
| 10/01/2027 | 152,468.76     | -            | 152,468.76     | 160,487.50     | 8,018.74     |
| 10/01/2028 | 151,343.76     | (153,856.26) | (2,512.50)     | (4,287.51)     | (1,775.01)   |
| Total      | \$2,734,659.08 | (153,856.26) | \$2,580,802.82 | \$2,707,037.10 | \$126,234.28 |

### PV Analysis Summary (Net to Net)

|                                                  |              |
|--------------------------------------------------|--------------|
| Gross PV Debt Service Savings                    | 188,549.69   |
| Effects of changes in DSR investments            | (3,917.04)   |
| Net PV Cashflow Savings @ 4.157%(Bond Yield)     | 184,632.64   |
| Transfers from Prior Issue Debt Service Fund     | (100,016.07) |
| Net Present Value Benefit                        | \$84,616.57  |
| Net PV Benefit / \$1,885,000 Refunded Principal  | 4.489%       |
| Net PV Benefit / \$1,895,000 Refunding Principal | 4.465%       |

### Refunding Bond Information

|                         |           |
|-------------------------|-----------|
| Refunding Dated Date    | 6/24/2010 |
| Refunding Delivery Date | 6/24/2010 |

Refunding Series 1998 (FI | SINGLE PURPOSE | 6/17/2010 | 2:57 PM)

**Crews & Associates, Inc.**  
Capital Markets

# The Depository Trust Company

A subsidiary of The Depository Trust & Clearing Corporation

## BLANKET ISSUER LETTER OF REPRESENTATIONS

[To be Completed by Issuer]

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (West Virginia)

[Name of Issuer]

June 16, 2003

[Date]

[For Municipal Issues:

Underwriting Department—Eligibility; 50th Floor]

[For Corporate Issues:

General Counsel's Office; 49th Floor]

**The Depository Trust Company**

55 Water Street

New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

### Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

Jefferson County Public Service District

(Issuer)

By: Harry M. Kable

(Authorized Officer's Signature)

Harry m. Kable

(Print Name)

210 West Thrid Avenue

(Street Address)

Ranson, West Virginia 25438

(City) (State) (Country)

(Zip Code)

(304) 725-4962

(Phone Number)

gmjcpd@stargate.net

(E-mail Address)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: [Signature]



The Depository Trust &  
Clearing Corporation

(To Blanket Issuer Letter of Representations)

**SAMPLE OFFERING DOCUMENT LANGUAGE  
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity

of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.



[Reserved]

[Reserved]

[Reserved]

Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Sources & Uses

Dated 06/24/2010 | Delivered 06/24/2010

### SOURCES OF FUNDS

|                                               |                |
|-----------------------------------------------|----------------|
| Par Amount of Bonds                           | \$1,895,000.00 |
| Transfers from Prior Issue DSR Funds          | 162,911.46     |
| Transfers from Prior Issue Debt Service Funds | 100,016.07     |
| Original Issue Discount (OID)                 | (10,618.05)    |

|                      |                       |
|----------------------|-----------------------|
| <b>TOTAL SOURCES</b> | <b>\$2,147,309.48</b> |
|----------------------|-----------------------|

### USES OF FUNDS

|                                             |              |
|---------------------------------------------|--------------|
| Deposit to Current Refunding Fund           | 1,907,818.54 |
| Deposit to Debt Service Reserve Fund (DSRF) | 153,856.26   |
| Total Underwriter's Discount (2.500%)       | 47,375.00    |
| Costs of Issuance                           | 35,000.00    |
| Rounding Amount                             | 3,259.68     |

|                   |                       |
|-------------------|-----------------------|
| <b>TOTAL USES</b> | <b>\$2,147,309.48</b> |
|-------------------|-----------------------|

Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Debt Service Comparison

| Date         | Total P+I             | DSR                 | Net New D/S           | Old Net D/S           | Savings             |
|--------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------|
| 10/01/2010   | 19,900.16             | -                   | 19,900.16             | 8,880.81              | (11,019.35)         |
| 10/01/2011   | 153,856.26            | -                   | 153,856.26            | 159,793.76            | 5,937.50            |
| 10/01/2012   | 151,456.26            | -                   | 151,456.26            | 156,543.76            | 5,087.50            |
| 10/01/2013   | 149,056.26            | -                   | 149,056.26            | 158,293.76            | 9,237.50            |
| 10/01/2014   | 151,656.26            | -                   | 151,656.26            | 159,793.76            | 8,137.50            |
| 10/01/2015   | 148,681.26            | -                   | 148,681.26            | 155,950.00            | 7,268.74            |
| 10/01/2016   | 150,706.26            | -                   | 150,706.26            | 162,106.26            | 11,400.00           |
| 10/01/2017   | 152,556.26            | -                   | 152,556.26            | 162,750.00            | 10,193.74           |
| 10/01/2018   | 149,231.26            | -                   | 149,231.26            | 158,137.50            | 8,906.24            |
| 10/01/2019   | 150,668.76            | -                   | 150,668.76            | 158,525.00            | 7,856.24            |
| 10/01/2020   | 151,918.76            | -                   | 151,918.76            | 158,537.50            | 6,618.74            |
| 10/01/2021   | 152,718.76            | -                   | 152,718.76            | 158,287.50            | 5,568.74            |
| 10/01/2022   | 148,318.76            | -                   | 148,318.76            | 157,775.00            | 9,456.24            |
| 10/01/2023   | 148,808.76            | -                   | 148,808.76            | 157,000.00            | 8,191.24            |
| 10/01/2024   | 149,093.76            | -                   | 149,093.76            | 155,962.50            | 6,868.74            |
| 10/01/2025   | 148,843.76            | -                   | 148,843.76            | 159,662.50            | 10,818.74           |
| 10/01/2026   | 153,375.00            | -                   | 153,375.00            | 162,837.50            | 9,462.50            |
| 10/01/2027   | 152,468.76            | -                   | 152,468.76            | 160,487.50            | 8,018.74            |
| 10/01/2028   | 151,343.76            | (153,856.26)        | (2,512.50)            | (4,287.51)            | (1,775.01)          |
| <b>Total</b> | <b>\$2,734,659.08</b> | <b>(153,856.26)</b> | <b>\$2,580,802.82</b> | <b>\$2,707,037.10</b> | <b>\$126,234.28</b> |

### PV Analysis Summary (Net to Net)

|                                                  |              |
|--------------------------------------------------|--------------|
| Gross PV Debt Service Savings                    | 188,549.69   |
| Effects of changes in DSR investments            | (3,917.04)   |
| Net PV Cashflow Savings @ 4.157%(Bond Yield)     | 184,632.64   |
| Transfers from Prior Issue Debt Service Fund     | (100,016.07) |
| Net Present Value Benefit                        | \$84,616.57  |
| Net PV Benefit / \$1,885,000 Refunded Principal  | 4.489%       |
| Net PV Benefit / \$1,895,000 Refunding Principal | 4.465%       |

### Refunding Bond Information

|                         |           |
|-------------------------|-----------|
| Refunding Dated Date    | 6/24/2010 |
| Refunding Delivery Date | 6/24/2010 |

Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Debt Service Schedule

| Date         | Principal             | Coupon | Interest            | Total P+I             | Fiscal Total |
|--------------|-----------------------|--------|---------------------|-----------------------|--------------|
| 06/24/2010   | -                     | -      | -                   | -                     | -            |
| 10/01/2010   | -                     | -      | 19,900.16           | 19,900.16             | 19,900.16    |
| 04/01/2011   | -                     | -      | 36,928.13           | 36,928.13             | -            |
| 10/01/2011   | 80,000.00             | 3.000% | 36,928.13           | 116,928.13            | 153,856.26   |
| 04/01/2012   | -                     | -      | 35,728.13           | 35,728.13             | -            |
| 10/01/2012   | 80,000.00             | 3.000% | 35,728.13           | 115,728.13            | 151,456.26   |
| 04/01/2013   | -                     | -      | 34,528.13           | 34,528.13             | -            |
| 10/01/2013   | 80,000.00             | 3.000% | 34,528.13           | 114,528.13            | 149,056.26   |
| 04/01/2014   | -                     | -      | 33,328.13           | 33,328.13             | -            |
| 10/01/2014   | 85,000.00             | 3.500% | 33,328.13           | 118,328.13            | 151,656.26   |
| 04/01/2015   | -                     | -      | 31,840.63           | 31,840.63             | -            |
| 10/01/2015   | 85,000.00             | 3.500% | 31,840.63           | 116,840.63            | 148,681.26   |
| 04/01/2016   | -                     | -      | 30,353.13           | 30,353.13             | -            |
| 10/01/2016   | 90,000.00             | 3.500% | 30,353.13           | 120,353.13            | 150,706.26   |
| 04/01/2017   | -                     | -      | 28,778.13           | 28,778.13             | -            |
| 10/01/2017   | 95,000.00             | 3.500% | 28,778.13           | 123,778.13            | 152,556.26   |
| 04/01/2018   | -                     | -      | 27,115.63           | 27,115.63             | -            |
| 10/01/2018   | 95,000.00             | 3.750% | 27,115.63           | 122,115.63            | 149,231.26   |
| 04/01/2019   | -                     | -      | 25,334.38           | 25,334.38             | -            |
| 10/01/2019   | 100,000.00            | 3.750% | 25,334.38           | 125,334.38            | 150,668.76   |
| 04/01/2020   | -                     | -      | 23,459.38           | 23,459.38             | -            |
| 10/01/2020   | 105,000.00            | 4.000% | 23,459.38           | 128,459.38            | 151,918.76   |
| 04/01/2021   | -                     | -      | 21,359.38           | 21,359.38             | -            |
| 10/01/2021   | 110,000.00            | 4.000% | 21,359.38           | 131,359.38            | 152,718.76   |
| 04/01/2022   | -                     | -      | 19,159.38           | 19,159.38             | -            |
| 10/01/2022   | 110,000.00            | 4.100% | 19,159.38           | 129,159.38            | 148,318.76   |
| 04/01/2023   | -                     | -      | 16,904.38           | 16,904.38             | -            |
| 10/01/2023   | 115,000.00            | 4.100% | 16,904.38           | 131,904.38            | 148,808.76   |
| 04/01/2024   | -                     | -      | 14,546.88           | 14,546.88             | -            |
| 10/01/2024   | 120,000.00            | 4.375% | 14,546.88           | 134,546.88            | 149,093.76   |
| 04/01/2025   | -                     | -      | 11,921.88           | 11,921.88             | -            |
| 10/01/2025   | 125,000.00            | 4.375% | 11,921.88           | 136,921.88            | 148,843.76   |
| 04/01/2026   | -                     | -      | 9,187.50            | 9,187.50              | -            |
| 10/01/2026   | 135,000.00            | 4.375% | 9,187.50            | 144,187.50            | 153,375.00   |
| 04/01/2027   | -                     | -      | 6,234.38            | 6,234.38              | -            |
| 10/01/2027   | 140,000.00            | 4.375% | 6,234.38            | 146,234.38            | 152,468.76   |
| 04/01/2028   | -                     | -      | 3,171.88            | 3,171.88              | -            |
| 10/01/2028   | 145,000.00            | 4.375% | 3,171.88            | 148,171.88            | 151,343.76   |
| <b>Total</b> | <b>\$1,895,000.00</b> | -      | <b>\$839,659.08</b> | <b>\$2,734,659.08</b> | -            |

### Yield Statistics

|                                   |              |
|-----------------------------------|--------------|
| Bond Year Dollars                 | \$20,400.60  |
| Average Life                      | 10.765 Years |
| Average Coupon                    | 4.1158554%   |
| Net Interest Cost (NIC)           | 4.4001267%   |
| True Interest Cost (TIC)          | 4.4649502%   |
| Bond Yield for Arbitrage Purposes | 4.1569751%   |
| All Inclusive Cost (AIC)          | 4.6999249%   |

### IRS Form 8038

|                           |              |
|---------------------------|--------------|
| Net Interest Cost         | 4.2021998%   |
| Weighted Average Maturity | 10.738 Years |

Refunding Series 1998 (FI) | SINGLE PURPOSE | 6/17/2010 | 2:57 PM

**Crews & Associates, Inc.**

Capital Markets

Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Pricing Summary

| Maturity   | Type of Bond  | Coupon | Yield  | Maturity Value        | Price    | Dollar Price          |
|------------|---------------|--------|--------|-----------------------|----------|-----------------------|
| 10/01/2013 | Term 1 Coupon | 3.000% | 3.000% | 240,000.00            | 100.000% | 240,000.00            |
| 10/01/2017 | Term 2 Coupon | 3.500% | 3.500% | 355,000.00            | 100.000% | 355,000.00            |
| 10/01/2019 | Term 3 Coupon | 3.750% | 3.750% | 195,000.00            | 100.000% | 195,000.00            |
| 10/01/2021 | Term 4 Coupon | 4.000% | 4.000% | 215,000.00            | 100.000% | 215,000.00            |
| 10/01/2023 | Term 5 Coupon | 4.100% | 4.250% | 225,000.00            | 98.485%  | 221,591.25            |
| 10/01/2025 | Term 6 Coupon | 4.375% | 4.400% | 245,000.00            | 99.718%  | 244,309.10            |
| 10/01/2028 | Term 7 Coupon | 4.375% | 4.500% | 420,000.00            | 98.448%  | 413,481.60            |
| Total      | -             | -      | -      | <b>\$1,895,000.00</b> | -        | <b>\$1,884,381.95</b> |

### Bid Information

|                                       |                |
|---------------------------------------|----------------|
| Par Amount of Bonds                   | \$1,895,000.00 |
| Reoffering Premium or (Discount)      | (10,618.05)    |
| Gross Production                      | \$1,884,381.95 |
| Total Underwriter's Discount (2.500%) | \$(47,375.00)  |
| Bid (96.940%)                         | 1,837,006.95   |
| Total Purchase Price                  | \$1,837,006.95 |
| Bond Year Dollars                     | \$20,400.60    |
| Average Life                          | 10.765 Years   |
| Average Coupon                        | 4.1158554%     |
| Net Interest Cost (NIC)               | 4.4001267%     |
| True Interest Cost (TIC)              | 4.4649502%     |

Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Current Refunding Escrow

| Date       | Rate | Receipts       | Disbursements  | Cash Balance |
|------------|------|----------------|----------------|--------------|
| 06/24/2010 | -    | 1,907,818.54   | -              | 1,907,818.54 |
| 06/25/2010 | -    | -              | 1,907,818.54   | -            |
| Total      | -    | \$1,907,818.54 | \$1,907,818.54 | -            |

### Investment Parameters

|                                           |                |
|-------------------------------------------|----------------|
| Investment Model [PV, GIC, or Securities] | Securities     |
| Default investment yield target           | Unrestricted   |
| Cash Deposit                              | 1,907,818.54   |
| Total Cost of Investments                 | \$1,907,818.54 |
| Target Cost of Investments at bond yield  | \$1,907,600.51 |
| Actual positive or (negative) arbitrage   | (218.03)       |
| Yield to Receipt                          | -              |
| Yield for Arbitrage Purposes              | 4.1569751%     |



Final

**\$2,000,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Series 1998A

## Debt Service To Maturity And To Call

| Date         | Refunded Bonds        | Interest to Call   | D/S To Call           | Principal             | Coupon   | Interest              | Refunded D/S          |
|--------------|-----------------------|--------------------|-----------------------|-----------------------|----------|-----------------------|-----------------------|
| 06/24/2010   | -                     | -                  | -                     | -                     | -        | -                     | -                     |
| 06/25/2010   | 1,885,000.00          | 22,818.54          | 1,907,818.54          | -                     | -        | -                     | -                     |
| 10/01/2010   | -                     | -                  | -                     | 60,000.00             | 5.000%   | 48,896.88             | 108,896.88            |
| 04/01/2011   | -                     | -                  | -                     | -                     | -        | 47,396.88             | 47,396.88             |
| 10/01/2011   | -                     | -                  | -                     | 65,000.00             | 5.000%   | 47,396.88             | 112,396.88            |
| 04/01/2012   | -                     | -                  | -                     | -                     | -        | 45,771.88             | 45,771.88             |
| 10/01/2012   | -                     | -                  | -                     | 65,000.00             | 5.000%   | 45,771.88             | 110,771.88            |
| 04/01/2013   | -                     | -                  | -                     | -                     | -        | 44,146.88             | 44,146.88             |
| 10/01/2013   | -                     | -                  | -                     | 70,000.00             | 5.000%   | 44,146.88             | 114,146.88            |
| 04/01/2014   | -                     | -                  | -                     | -                     | -        | 42,396.88             | 42,396.88             |
| 10/01/2014   | -                     | -                  | -                     | 75,000.00             | 5.125%   | 42,396.88             | 117,396.88            |
| 04/01/2015   | -                     | -                  | -                     | -                     | -        | 40,475.00             | 40,475.00             |
| 10/01/2015   | -                     | -                  | -                     | 75,000.00             | 5.125%   | 40,475.00             | 115,475.00            |
| 04/01/2016   | -                     | -                  | -                     | -                     | -        | 38,553.13             | 38,553.13             |
| 10/01/2016   | -                     | -                  | -                     | 85,000.00             | 5.125%   | 38,553.13             | 123,553.13            |
| 04/01/2017   | -                     | -                  | -                     | -                     | -        | 36,375.00             | 36,375.00             |
| 10/01/2017   | -                     | -                  | -                     | 90,000.00             | 5.125%   | 36,375.00             | 126,375.00            |
| 04/01/2018   | -                     | -                  | -                     | -                     | -        | 34,068.75             | 34,068.75             |
| 10/01/2018   | -                     | -                  | -                     | 90,000.00             | 5.125%   | 34,068.75             | 124,068.75            |
| 04/01/2019   | -                     | -                  | -                     | -                     | -        | 31,762.50             | 31,762.50             |
| 10/01/2019   | -                     | -                  | -                     | 95,000.00             | 5.250%   | 31,762.50             | 126,762.50            |
| 04/01/2020   | -                     | -                  | -                     | -                     | -        | 29,268.75             | 29,268.75             |
| 10/01/2020   | -                     | -                  | -                     | 100,000.00            | 5.250%   | 29,268.75             | 129,268.75            |
| 04/01/2021   | -                     | -                  | -                     | -                     | -        | 26,643.75             | 26,643.75             |
| 10/01/2021   | -                     | -                  | -                     | 105,000.00            | 5.250%   | 26,643.75             | 131,643.75            |
| 04/01/2022   | -                     | -                  | -                     | -                     | -        | 23,887.50             | 23,887.50             |
| 10/01/2022   | -                     | -                  | -                     | 110,000.00            | 5.250%   | 23,887.50             | 133,887.50            |
| 04/01/2023   | -                     | -                  | -                     | -                     | -        | 21,000.00             | 21,000.00             |
| 10/01/2023   | -                     | -                  | -                     | 115,000.00            | 5.250%   | 21,000.00             | 136,000.00            |
| 04/01/2024   | -                     | -                  | -                     | -                     | -        | 17,981.25             | 17,981.25             |
| 10/01/2024   | -                     | -                  | -                     | 120,000.00            | 5.250%   | 17,981.25             | 137,981.25            |
| 04/01/2025   | -                     | -                  | -                     | -                     | -        | 14,831.25             | 14,831.25             |
| 10/01/2025   | -                     | -                  | -                     | 130,000.00            | 5.250%   | 14,831.25             | 144,831.25            |
| 04/01/2026   | -                     | -                  | -                     | -                     | -        | 11,418.75             | 11,418.75             |
| 10/01/2026   | -                     | -                  | -                     | 140,000.00            | 5.250%   | 11,418.75             | 151,418.75            |
| 04/01/2027   | -                     | -                  | -                     | -                     | -        | 7,743.75              | 7,743.75              |
| 10/01/2027   | -                     | -                  | -                     | 145,000.00            | 5.250%   | 7,743.75              | 152,743.75            |
| 04/01/2028   | -                     | -                  | -                     | -                     | -        | 3,937.50              | 3,937.50              |
| 10/01/2028   | -                     | -                  | -                     | 150,000.00            | 5.250%   | 3,937.50              | 153,937.50            |
| <b>Total</b> | <b>\$1,885,000.00</b> | <b>\$22,818.54</b> | <b>\$1,907,818.54</b> | <b>\$1,885,000.00</b> | <b>-</b> | <b>\$1,084,215.68</b> | <b>\$2,969,215.68</b> |

### Yield Statistics

|                                                   |              |
|---------------------------------------------------|--------------|
| Base date for Avg. Life & Avg. Coupon Calculation | 6/24/2010    |
| Average Life                                      | 10.773 Years |
| Average Coupon                                    | 5.2278603%   |
| Weighted Average Maturity (Par Basis)             | 10.773 Years |

### Refunding Bond Information

|                         |           |
|-------------------------|-----------|
| Refunding Dated Date    | 6/24/2010 |
| Refunding Delivery Date | 6/24/2010 |

Series 1998 | SINGLE PURPOSE | 6/17/2010 | 2:57 PM

**Crews & Associates, Inc.**

Capital Markets

Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Summary Of Bonds Refunded

| Issue                                   | Maturity   | Type   | of Bond | Coupon | Maturity<br>Value  | Call Date  | Call Price |
|-----------------------------------------|------------|--------|---------|--------|--------------------|------------|------------|
| Dated 10/01/2007   Delivered 10/01/2007 |            |        |         |        |                    |            |            |
| Series 1998                             | 10/01/2010 | Term 1 | Coupon  | 5.000% | 60,000             | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2011 | Term 1 | Coupon  | 5.000% | 65,000             | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2012 | Term 1 | Coupon  | 5.000% | 65,000             | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2013 | Term 1 | Coupon  | 5.000% | 70,000             | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2014 | Term 2 | Coupon  | 5.125% | 75,000             | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2015 | Term 2 | Coupon  | 5.125% | 75,000             | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2016 | Term 2 | Coupon  | 5.125% | 85,000             | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2017 | Term 2 | Coupon  | 5.125% | 90,000             | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2018 | Term 2 | Coupon  | 5.125% | 90,000             | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2019 | Term 3 | Coupon  | 5.250% | 95,000             | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2020 | Term 3 | Coupon  | 5.250% | 100,000            | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2021 | Term 3 | Coupon  | 5.250% | 105,000            | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2022 | Term 3 | Coupon  | 5.250% | 110,000            | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2023 | Term 3 | Coupon  | 5.250% | 115,000            | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2024 | Term 3 | Coupon  | 5.250% | 120,000            | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2025 | Term 3 | Coupon  | 5.250% | 130,000            | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2026 | Term 3 | Coupon  | 5.250% | 140,000            | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2027 | Term 3 | Coupon  | 5.250% | 145,000            | 06/25/2010 | 100.000%   |
| Series 1998                             | 10/01/2028 | Term 3 | Coupon  | 5.250% | 150,000            | 06/25/2010 | 100.000%   |
| Subtotal                                | -          |        |         | -      | <b>\$1,885,000</b> | -          | -          |
| Total                                   | -          |        |         | -      | <b>\$1,885,000</b> | -          | -          |

Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Proof Of Bond Yield @ 4.1569751%

| Date         | Cashflow              | PV Factor  | Present Value         | Cumulative PV |
|--------------|-----------------------|------------|-----------------------|---------------|
| 06/24/2010   | -                     | 1.0000000x | -                     | -             |
| 10/01/2010   | 19,900.16             | 0.9889753x | 19,680.77             | 19,680.77     |
| 04/01/2011   | 36,928.13             | 0.9688381x | 35,777.38             | 55,458.15     |
| 10/01/2011   | 116,928.13            | 0.9491110x | 110,977.77            | 166,435.92    |
| 04/01/2012   | 35,728.13             | 0.9297855x | 33,219.50             | 199,655.41    |
| 10/01/2012   | 115,728.13            | 0.9108535x | 105,411.37            | 305,066.79    |
| 04/01/2013   | 34,528.13             | 0.8923070x | 30,809.69             | 335,876.48    |
| 10/01/2013   | 114,528.13            | 0.8741382x | 100,113.41            | 435,989.89    |
| 04/01/2014   | 33,328.13             | 0.8563393x | 28,540.19             | 464,530.08    |
| 10/01/2014   | 118,328.13            | 0.8389028x | 99,265.80             | 563,795.87    |
| 04/01/2015   | 31,840.63             | 0.8218213x | 26,167.31             | 589,963.18    |
| 10/01/2015   | 116,840.63            | 0.8050877x | 94,066.95             | 684,030.13    |
| 04/01/2016   | 30,353.13             | 0.7886948x | 23,939.35             | 707,969.49    |
| 10/01/2016   | 120,353.13            | 0.7726356x | 92,989.12             | 800,958.60    |
| 04/01/2017   | 28,778.13             | 0.7569035x | 21,782.27             | 822,740.87    |
| 10/01/2017   | 123,778.13            | 0.7414917x | 91,780.45             | 914,521.32    |
| 04/01/2018   | 27,115.63             | 0.7263937x | 19,696.62             | 934,217.94    |
| 10/01/2018   | 122,115.63            | 0.7116031x | 86,897.86             | 1,021,115.80  |
| 04/01/2019   | 25,334.38             | 0.6971137x | 17,660.94             | 1,038,776.74  |
| 10/01/2019   | 125,334.38            | 0.6829193x | 85,593.26             | 1,124,370.01  |
| 04/01/2020   | 23,459.38             | 0.6690139x | 15,694.65             | 1,140,064.66  |
| 10/01/2020   | 128,459.38            | 0.6553917x | 84,191.21             | 1,224,255.86  |
| 04/01/2021   | 21,359.38             | 0.6420468x | 13,713.72             | 1,237,969.59  |
| 10/01/2021   | 131,359.38            | 0.6289737x | 82,621.59             | 1,320,591.18  |
| 04/01/2022   | 19,159.38             | 0.6161667x | 11,805.37             | 1,332,396.55  |
| 10/01/2022   | 129,159.38            | 0.6036205x | 77,963.25             | 1,410,359.80  |
| 04/01/2023   | 16,904.38             | 0.5913298x | 9,996.06              | 1,420,355.87  |
| 10/01/2023   | 131,904.38            | 0.5792894x | 76,410.80             | 1,496,766.67  |
| 04/01/2024   | 14,546.88             | 0.5674941x | 8,255.27              | 1,505,021.94  |
| 10/01/2024   | 134,546.88            | 0.5559389x | 74,799.85             | 1,579,821.79  |
| 04/01/2025   | 11,921.88             | 0.5446191x | 6,492.88              | 1,586,314.67  |
| 10/01/2025   | 136,921.88            | 0.5335298x | 73,051.90             | 1,659,366.57  |
| 04/01/2026   | 9,187.50              | 0.5226662x | 4,802.00              | 1,664,168.57  |
| 10/01/2026   | 144,187.50            | 0.5120239x | 73,827.44             | 1,737,996.00  |
| 04/01/2027   | 6,234.38              | 0.5015982x | 3,127.15              | 1,741,123.16  |
| 10/01/2027   | 146,234.38            | 0.4913848x | 71,857.36             | 1,812,980.51  |
| 04/01/2028   | 3,171.88              | 0.4813794x | 1,526.88              | 1,814,507.39  |
| 10/01/2028   | 148,171.88            | 0.4715777x | 69,874.56             | 1,884,381.95  |
| <b>Total</b> | <b>\$2,734,659.08</b> | <b>-</b>   | <b>\$1,884,381.95</b> | <b>-</b>      |

### Derivation Of Target Amount

|                                  |                |
|----------------------------------|----------------|
| Par Amount of Bonds              | \$1,895,000.00 |
| Reoffering Premium or (Discount) | (10,618.05)    |
| Original Issue Proceeds          | \$1,884,381.95 |

Refunding Series 1998 (Fi | SINGLE PURPOSE | 6/17/2010 | 2:57 PM)

**Crews & Associates, Inc.**

Capital Markets

Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Derivation Of Form 8038 Yield Statistics

| Maturity     | Issuance Value        | Price    | Issuance PRICE        | Exponent    | Bond Years             |
|--------------|-----------------------|----------|-----------------------|-------------|------------------------|
| 06/24/2010   | -                     | -        | -                     | -           | -                      |
| 10/01/2010   | -                     | 100.000% | -                     | 0.2694444x  | -                      |
| 10/01/2011   | 80,000.00             | 100.000% | 80,000.00             | 1.2694444x  | 101,555.56             |
| 10/01/2012   | 80,000.00             | 100.000% | 80,000.00             | 2.2694444x  | 181,555.56             |
| 10/01/2013   | 80,000.00             | 100.000% | 80,000.00             | 3.2694444x  | 261,555.56             |
| 10/01/2014   | 85,000.00             | 100.000% | 85,000.00             | 4.2694444x  | 362,902.78             |
| 10/01/2015   | 85,000.00             | 100.000% | 85,000.00             | 5.2694444x  | 447,902.78             |
| 10/01/2016   | 90,000.00             | 100.000% | 90,000.00             | 6.2694444x  | 564,250.00             |
| 10/01/2017   | 95,000.00             | 100.000% | 95,000.00             | 7.2694444x  | 690,597.22             |
| 10/01/2018   | 95,000.00             | 100.000% | 95,000.00             | 8.2694444x  | 785,597.22             |
| 10/01/2019   | 100,000.00            | 100.000% | 100,000.00            | 9.2694444x  | 926,944.44             |
| 10/01/2020   | 105,000.00            | 100.000% | 105,000.00            | 10.2694444x | 1,078,291.67           |
| 10/01/2021   | 110,000.00            | 100.000% | 110,000.00            | 11.2694444x | 1,239,638.89           |
| 10/01/2022   | 110,000.00            | 98.485%  | 108,333.50            | 12.2694444x | 1,329,191.86           |
| 10/01/2023   | 115,000.00            | 98.485%  | 113,257.75            | 13.2694444x | 1,502,867.42           |
| 10/01/2024   | 120,000.00            | 99.718%  | 119,661.60            | 14.2694444x | 1,707,504.55           |
| 10/01/2025   | 125,000.00            | 99.718%  | 124,647.50            | 15.2694444x | 1,903,298.08           |
| 10/01/2026   | 135,000.00            | 98.448%  | 132,904.80            | 16.2694444x | 2,162,287.26           |
| 10/01/2027   | 140,000.00            | 98.448%  | 137,827.20            | 17.2694444x | 2,380,199.17           |
| 10/01/2028   | 145,000.00            | 98.448%  | 142,749.60            | 18.2694444x | 2,607,955.89           |
| <b>Total</b> | <b>\$1,895,000.00</b> | <b>-</b> | <b>\$1,884,381.95</b> | <b>-</b>    | <b>\$20,234,095.90</b> |

### IRS Form 8038

|                                                    |              |
|----------------------------------------------------|--------------|
| Weighted Average Maturity = Bond Years/Issue Price | 10.738 Years |
| Total Interest from Debt Service                   | 839,659.08   |
| Reoffering (Premium) or Discount                   | 10,618.05    |
| Total Interest                                     | 850,277.13   |
| NIC = Interest / (Issue Price * Average Maturity)  | 4.2021998%   |
| Bond Yield for Arbitrage Purposes                  | 4.1569751%   |

**Jefferson County PSD**  
**Sewer Refunding Revenue Bonds, Series 2010A**  
**(Refunding of Series 1998A)**

**DTC FAST CLOSING**  
**Thursday, June 24, 2010**

| SOURCES:                                     |                     |
|----------------------------------------------|---------------------|
| Par Amount - Series 2010A                    | 1,895,000.00        |
| Prior Issue Debt Service Reserve Fund        | 162,911.46          |
| Prior Issue Debt Service Funds               | 100,016.07          |
| Original Issue Discount                      | (10,618.05)         |
| <b>TOTAL SOURCES OF FUNDS</b>                | <b>2,147,309.48</b> |
| USES:                                        |                     |
| Deposit to Current Refunding Fund            | 1,907,818.54        |
| Deposit to Debt Service Reserve Fund         | 153,856.26          |
| Underwriters Discount                        | 47,375.00           |
| <b>Costs of Issuance and Rounding:</b>       |                     |
| Bond Counsel - Spilman Law                   | 20,000.00           |
| Underwriter's Counsel - Steptoe & Johnson    | 10,000.00           |
| WV Municipal Bond Commission                 | 1,585.84            |
| Registrar - Annual Continuing Disclosure     | 100.00              |
| Registrar - Annual DTC FAST fee              | 50.00               |
| Registrar - Acceptance fee                   | 1,000.00            |
| Printing/Shipping - Westerfield Bonte (est.) | 1,744.00            |
| Verification Agent - Herman & Cormany, CPAs  | 500.00              |
| CPA - Cox Hollida Price LLP                  | 2,500.00            |
|                                              | 37,479.84           |
| <b>Total COI and Rounding</b>                | <b>35,000.00</b>    |
| <b>Rounding</b>                              | <b>3,259.68</b>     |
| <b>TOTAL USES OF FUNDS</b>                   | <b>2,147,309.48</b> |

0.00 Balance Test

**CONTACTS:**

**BONY** (#2782)  
thomas.vlahakis@bnymellon.com  
973-247-4742 Tel

**Jefferson County PSD**  
Sue Lawton  
304-725-4647

**DTC**  
212-855-3752 Tel  
212-855-3753 Tel  
212-855-3754 Tel

**Crews BD#** 5158

**MVB Bank (Depository Bank)**  
Diane Link  
dlink@mrvbanking.com  
304-724-1161

**WIRE INSTRUCTIONS: June 24, 2010**

| From: Crews & Associates, Inc. (JP Morgan Chase/NY) |                     | To: West Virginia Municipal Bond Commission |                                        |
|-----------------------------------------------------|---------------------|---------------------------------------------|----------------------------------------|
| Escrow Fund ( )                                     | 1,644,891.01        | Bank:                                       | Branch Banking & Trust                 |
| Deposit to Series 2010 Debt Service Reserve         | 153,856.26          | City:                                       | Charleston, WV                         |
| WV MBC fee                                          | 1,585.84            | ABA#:                                       | 051 5033 94                            |
|                                                     |                     | GLA #:                                      | State of West Virginia                 |
|                                                     |                     | Acct #:                                     | 5270517317                             |
| <b>Total Transfer:</b>                              | <b>1,800,333.11</b> | Acct Name:                                  | Jefferson County PSD - 1998A and 2010A |
|                                                     |                     | Attn:                                       | Sara Boardman                          |
| From: Crews & Associates, Inc. (JP Morgan Chase/NY) |                     | To: MVB Bank East                           |                                        |
| COI Fund ( )                                        | 36,673.84           | Bank:                                       | MVB Bank East                          |
|                                                     |                     | City:                                       | Charles Town, WV 25414                 |
|                                                     |                     | ABA#:                                       | 051 5045 97                            |
|                                                     |                     | Acct #:                                     | 33944                                  |
| <b>Total Transfer:</b>                              | <b>36,673.84</b>    | Acct Name:                                  | Jefferson County PSD                   |
|                                                     |                     | Attn:                                       | Diane Link                             |

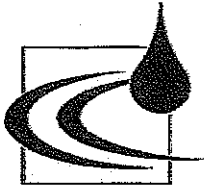
**WIRE INSTRUCTIONS: June 25, 2010**

| From: WV Municipal Bond Commission |                     | To:        |  |
|------------------------------------|---------------------|------------|--|
| 1998A Debt Service Fund            | 100,016.07          | Bank:      |  |
| 1998A Debt Service Reserve Fund    | 162,911.46          | City:      |  |
| 2010A Bond Proceeds                | 1,644,891.01        | ABA#:      |  |
|                                    |                     | Acct #:    |  |
| <b>Total Transfer:</b>             | <b>1,907,818.54</b> | Acct Name: |  |
|                                    |                     | Attn:      |  |

**OTHER INSTRUCTIONS:**

|                          |   |                                                  |
|--------------------------|---|--------------------------------------------------|
| Bank of New York         | ⇒ | 1 - Send Redemption Notice on May 25, 2010       |
|                          |   | 2 - Series 1998A Bonds Redeemed on June 25, 2010 |
| Crews & Associates, Inc. | ⇒ | 1 - Copy Redemption Notice to EMMA               |
|                          |   | 2 - Copy Redemption Notice to DTC                |

[Reserved]



WEST VIRGINIA

**Water Development Authority**

*Celebrating 34 Years of Service 1974 - 2008*

\$1,895,000

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
SEWER REFUNDING REVENUE BONDS, 2010 SERIES A

**CONSENT TO ISSUANCE OF PARITY BONDS**

In reliance upon a certificate of CoxHollidaPrice, LLP, independent certified public accountants, and the opinion of Spilman Thomas & Battle, PLLC, Bond Counsel, that the coverage and parity requirements have been met, (copies of which are attached hereto), the undersigned duly authorized representative of the West Virginia Water Development Authority, the registered owner of the Prior Bonds, as hereinafter defined and described, hereby consents to the issuance of the Sewer Refunding Revenue Bonds, 2010 Series A (the "2010 Series A Bonds"), in the original principal amount of \$1,895,000, by the Jefferson County Public Service District (the "Issuer"), under the terms of the Bond Resolution authorizing the Bonds, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's (i) Sewer Revenue Bonds, Series 1988B, dated May 5, 1988, issued in the original aggregate principal amount of \$425,767 (the "Series 1988B Bonds"), (ii) Sewer Revenue Bonds, Series 1993A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of \$971,000 (the "Series 1993A Bonds"), (iii) Sewer Revenue Bonds, Series 1998B (West Virginia SRF Program), dated June 25, 1998, issued in the original aggregate principal amount of \$599,089 (the "Series 1998B Bonds"), (iv) Sewer Revenue Bonds, Series 1998C (West Virginia Infrastructure Fund), dated June 25, 1998, issued in the original aggregate principal amount of \$662,039 (the "Series 1998C Bonds"), (v) Sewer Revenue Bonds, Series 1999A (West Virginia SRF Program), dated December 8, 1999, issued in the original aggregate principal amount of \$378,363 (the "Series 1999A Bonds"), (vi) Sewer Revenue Bonds, Series 2000A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of \$1,154,889 (the "Series 2000A Bonds"), and (vii) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated June 18, 2008, issued in the original aggregate principal amount of \$2,005,000 (the "Series 2008A Bonds," and collectively with the Series 1988B Bonds, the Series 1993A Bonds, the Series 1998B Bonds, the Series 1998C Bonds, the Series 1999A Bonds and the Series 2008 A Bonds, the "Prior Bonds").

WITNESS my signature on this 24<sup>th</sup> day of June, 2010.

WEST VIRGINIA WATER DEVELOPMENT  
AUTHORITY

By: Carol A. Cummings  
Its: Authorized Representative

180 Association Drive, Charleston, WV 25311-1217  
phone (304) 558-3612 / fax (304) 558-0299  
www.wvwda.org

WV MUNICIPAL BOND COMMISSION  
8 Capitol Street, 5<sup>th</sup> Floor  
Charleston, WV 25301  
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: June 24, 2010

ISSUE: Jefferson County Public Service District

ADDRESS: 340 Edmond Road, Suite A, Kearneysville, West Virginia 25430 COUNTY: Jefferson

PURPOSE OF ISSUE: New Money: \_\_\_\_\_  
Refunding: X

REFUND ISSUE(S) DATED: February 15, 1998

ISSUE DATE: June 24, 2010

CLOSING DATE: June 24, 2010

ISSUE AMOUNT: \$1,895,000

INTEREST: See attached Schedule

1<sup>ST</sup> DEBT SERVICE DUE: October 1, 2010

1<sup>ST</sup> PRINCIPAL DUE: October 1, 2011

1<sup>ST</sup> DEBT SERVICE AMOUNT: See Attached Schedule

PAYING AGENT: WV Municipal Bond Commission

**BOND**

COUNSEL: Spilman Thomas & Battle, PLLC  
Contact Person: Lee O. Hill, Esquire  
Phone: 304.340.3802

**UNDERWRITERS**

COUNSEL: Steptoe & Johnson PLLC  
Contact Person: Thomas Aman, Esquire  
Phone: 304.624.8136

CLOSING BANK: \_\_\_\_\_  
Contact Person: \_\_\_\_\_  
Phone: \_\_\_\_\_

ESCROW TRUSTEE: WV Municipal Bond Commission

Contact Person: \_\_\_\_\_  
Phone: \_\_\_\_\_

**KNOWLEDGEABLE ISSUER CONTACT**

Contact Person: Susanne Lawton  
Position: General Manager  
Phone: 304.725.4647

**OTHER:**

Contact Person: \_\_\_\_\_  
Function: \_\_\_\_\_  
Phone: \_\_\_\_\_

**DEPOSITS TO MBC AT CLOSE:**

By: \_\_\_\_\_ Wire  
\_\_\_\_\_ Check

Escrow Fund: \$ \_\_\_\_\_  
Capitalized Interest: \$ \_\_\_\_\_  
X Reserve Account: \$153,856.26  
Other: \$ \_\_\_\_\_

**REFUNDS & TRANSFERS BY MBC AT CLOSE:**

By: \_\_\_\_\_ Wire  
\_\_\_\_\_ Check  
\_\_\_\_\_ IGT

To Accrued Interest: \$ \_\_\_\_\_  
To Issuer: \$ \_\_\_\_\_  
To Cons. Invest. Fund \$ \_\_\_\_\_  
X To Other (Escrow Fund)\* \$262,927.53

NOTES: \$100,016.07 from 1998 Series A Sinking Fund and \$162,911.46 from 1998 A Reserve Fund

**FOR MUNICIPAL BOND COMMISSION USE ONLY:**

DOCUMENTS REQUIRED: \_\_\_\_\_

TRANSFERS REQUIRED: \_\_\_\_\_



Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Sources & Uses

Dated 06/24/2010 | Delivered 06/24/2010

### SOURCES OF FUNDS

|                                               |                |
|-----------------------------------------------|----------------|
| Par Amount of Bonds                           | \$1,895,000.00 |
| Transfers from Prior Issue DSR Funds          | 162,911.46     |
| Transfers from Prior Issue Debt Service Funds | 100,016.07     |
| Original Issue Discount (OID)                 | (10,618.05)    |

|                      |                       |
|----------------------|-----------------------|
| <b>TOTAL SOURCES</b> | <b>\$2,147,309.48</b> |
|----------------------|-----------------------|

### USES OF FUNDS

|                                             |              |
|---------------------------------------------|--------------|
| Deposit to Current Refunding Fund           | 1,907,818.54 |
| Deposit to Debt Service Reserve Fund (DSRF) | 153,856.26   |
| Total Underwriter's Discount (2.500%)       | 47,375.00    |
| Costs of Issuance                           | 35,000.00    |
| Rounding Amount                             | 3,259.68     |

|                   |                       |
|-------------------|-----------------------|
| <b>TOTAL USES</b> | <b>\$2,147,309.48</b> |
|-------------------|-----------------------|

Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Debt Service Comparison

| Date         | Total P+I             | DSR                 | Net New D/S           | Old Net D/S           | Savings             |
|--------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------|
| 10/01/2010   | 19,900.16             | -                   | 19,900.16             | 8,880.81              | (11,019.35)         |
| 10/01/2011   | 153,856.26            | -                   | 153,856.26            | 159,793.76            | 5,937.50            |
| 10/01/2012   | 151,456.26            | -                   | 151,456.26            | 156,543.76            | 5,087.50            |
| 10/01/2013   | 149,056.26            | -                   | 149,056.26            | 158,293.76            | 9,237.50            |
| 10/01/2014   | 151,656.26            | -                   | 151,656.26            | 159,793.76            | 8,137.50            |
| 10/01/2015   | 148,681.26            | -                   | 148,681.26            | 155,950.00            | 7,268.74            |
| 10/01/2016   | 150,706.26            | -                   | 150,706.26            | 162,106.26            | 11,400.00           |
| 10/01/2017   | 152,556.26            | -                   | 152,556.26            | 162,750.00            | 10,193.74           |
| 10/01/2018   | 149,231.26            | -                   | 149,231.26            | 158,137.50            | 8,906.24            |
| 10/01/2019   | 150,668.76            | -                   | 150,668.76            | 158,525.00            | 7,856.24            |
| 10/01/2020   | 151,918.76            | -                   | 151,918.76            | 158,537.50            | 6,618.74            |
| 10/01/2021   | 152,718.76            | -                   | 152,718.76            | 158,287.50            | 5,568.74            |
| 10/01/2022   | 148,318.76            | -                   | 148,318.76            | 157,775.00            | 9,456.24            |
| 10/01/2023   | 148,808.76            | -                   | 148,808.76            | 157,000.00            | 8,191.24            |
| 10/01/2024   | 149,093.76            | -                   | 149,093.76            | 155,962.50            | 6,868.74            |
| 10/01/2025   | 148,843.76            | -                   | 148,843.76            | 159,662.50            | 10,818.74           |
| 10/01/2026   | 153,375.00            | -                   | 153,375.00            | 162,837.50            | 9,462.50            |
| 10/01/2027   | 152,468.76            | -                   | 152,468.76            | 160,487.50            | 8,018.74            |
| 10/01/2028   | 151,343.76            | (153,856.26)        | (2,512.50)            | (4,287.51)            | (1,775.01)          |
| <b>Total</b> | <b>\$2,734,659.08</b> | <b>(153,856.26)</b> | <b>\$2,580,802.82</b> | <b>\$2,707,037.10</b> | <b>\$126,234.28</b> |

### PV Analysis Summary (Net to Net)

|                                                  |              |
|--------------------------------------------------|--------------|
| Gross PV Debt Service Savings                    | 188,549.69   |
| Effects of changes in DSR investments            | (3,917.04)   |
| Net PV Cashflow Savings @ 4.157%(Bond Yield)     | 184,632.64   |
| Transfers from Prior Issue Debt Service Fund     | (100,016.07) |
| Net Present Value Benefit                        | \$84,616.57  |
| Net PV Benefit / \$1,885,000 Refunded Principal  | 4.489%       |
| Net PV Benefit / \$1,895,000 Refunding Principal | 4.465%       |

### Refunding Bond Information

|                         |           |
|-------------------------|-----------|
| Refunding Dated Date    | 6/24/2010 |
| Refunding Delivery Date | 6/24/2010 |

Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Debt Service Schedule

| Date         | Principal             | Coupon | Interest            | Total P+I             | Fiscal Total |
|--------------|-----------------------|--------|---------------------|-----------------------|--------------|
| 06/24/2010   | -                     | -      | -                   | -                     | -            |
| 10/01/2010   | -                     | -      | 19,900.16           | 19,900.16             | 19,900.16    |
| 04/01/2011   | -                     | -      | 36,928.13           | 36,928.13             | -            |
| 10/01/2011   | 80,000.00             | 3.000% | 36,928.13           | 116,928.13            | 153,856.26   |
| 04/01/2012   | -                     | -      | 35,728.13           | 35,728.13             | -            |
| 10/01/2012   | 80,000.00             | 3.000% | 35,728.13           | 115,728.13            | 151,456.26   |
| 04/01/2013   | -                     | -      | 34,528.13           | 34,528.13             | -            |
| 10/01/2013   | 80,000.00             | 3.000% | 34,528.13           | 114,528.13            | 149,056.26   |
| 04/01/2014   | -                     | -      | 33,328.13           | 33,328.13             | -            |
| 10/01/2014   | 85,000.00             | 3.500% | 33,328.13           | 118,328.13            | 151,656.26   |
| 04/01/2015   | -                     | -      | 31,840.63           | 31,840.63             | -            |
| 10/01/2015   | 85,000.00             | 3.500% | 31,840.63           | 116,840.63            | 148,681.26   |
| 04/01/2016   | -                     | -      | 30,353.13           | 30,353.13             | -            |
| 10/01/2016   | 90,000.00             | 3.500% | 30,353.13           | 120,353.13            | 150,706.26   |
| 04/01/2017   | -                     | -      | 28,778.13           | 28,778.13             | -            |
| 10/01/2017   | 95,000.00             | 3.500% | 28,778.13           | 123,778.13            | 152,556.26   |
| 04/01/2018   | -                     | -      | 27,115.63           | 27,115.63             | -            |
| 10/01/2018   | 95,000.00             | 3.750% | 27,115.63           | 122,115.63            | 149,231.26   |
| 04/01/2019   | -                     | -      | 25,334.38           | 25,334.38             | -            |
| 10/01/2019   | 100,000.00            | 3.750% | 25,334.38           | 125,334.38            | 150,668.76   |
| 04/01/2020   | -                     | -      | 23,459.38           | 23,459.38             | -            |
| 10/01/2020   | 105,000.00            | 4.000% | 23,459.38           | 128,459.38            | 151,918.76   |
| 04/01/2021   | -                     | -      | 21,359.38           | 21,359.38             | -            |
| 10/01/2021   | 110,000.00            | 4.000% | 21,359.38           | 131,359.38            | 152,718.76   |
| 04/01/2022   | -                     | -      | 19,159.38           | 19,159.38             | -            |
| 10/01/2022   | 110,000.00            | 4.100% | 19,159.38           | 129,159.38            | 148,318.76   |
| 04/01/2023   | -                     | -      | 16,904.38           | 16,904.38             | -            |
| 10/01/2023   | 115,000.00            | 4.100% | 16,904.38           | 131,904.38            | 148,808.76   |
| 04/01/2024   | -                     | -      | 14,546.88           | 14,546.88             | -            |
| 10/01/2024   | 120,000.00            | 4.375% | 14,546.88           | 134,546.88            | 149,093.76   |
| 04/01/2025   | -                     | -      | 11,921.88           | 11,921.88             | -            |
| 10/01/2025   | 125,000.00            | 4.375% | 11,921.88           | 136,921.88            | 148,843.76   |
| 04/01/2026   | -                     | -      | 9,187.50            | 9,187.50              | -            |
| 10/01/2026   | 135,000.00            | 4.375% | 9,187.50            | 144,187.50            | 153,375.00   |
| 04/01/2027   | -                     | -      | 6,234.38            | 6,234.38              | -            |
| 10/01/2027   | 140,000.00            | 4.375% | 6,234.38            | 146,234.38            | 152,468.76   |
| 04/01/2028   | -                     | -      | 3,171.88            | 3,171.88              | -            |
| 10/01/2028   | 145,000.00            | 4.375% | 3,171.88            | 148,171.88            | 151,343.76   |
| <b>Total</b> | <b>\$1,895,000.00</b> | -      | <b>\$839,659.08</b> | <b>\$2,734,659.08</b> | -            |

### Yield Statistics

|                                   |              |
|-----------------------------------|--------------|
| Bond Year Dollars                 | \$20,400.60  |
| Average Life                      | 10.765 Years |
| Average Coupon                    | 4.1158554%   |
| Net Interest Cost (NIC)           | 4.4001267%   |
| True Interest Cost (TIC)          | 4.4649502%   |
| Bond Yield for Arbitrage Purposes | 4.1569751%   |
| All Inclusive Cost (AIC)          | 4.6999249%   |

### IRS Form 8038

|                           |              |
|---------------------------|--------------|
| Net Interest Cost         | 4.2021998%   |
| Weighted Average Maturity | 10.738 Years |

Refunding Series 1998 (Fi) | SINGLE PURPOSE | 6/17/2010 | 2:57 PM

**Crews & Associates, Inc.**

Capital Markets

Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Pricing Summary

| Maturity     | Type of Bond  | Coupon | Yield  | Maturity Value        | Price    | Dollar Price          |
|--------------|---------------|--------|--------|-----------------------|----------|-----------------------|
| 10/01/2013   | Term 1 Coupon | 3.000% | 3.000% | 240,000.00            | 100.000% | 240,000.00            |
| 10/01/2017   | Term 2 Coupon | 3.500% | 3.500% | 355,000.00            | 100.000% | 355,000.00            |
| 10/01/2019   | Term 3 Coupon | 3.750% | 3.750% | 195,000.00            | 100.000% | 195,000.00            |
| 10/01/2021   | Term 4 Coupon | 4.000% | 4.000% | 215,000.00            | 100.000% | 215,000.00            |
| 10/01/2023   | Term 5 Coupon | 4.100% | 4.250% | 225,000.00            | 98.485%  | 221,591.25            |
| 10/01/2025   | Term 6 Coupon | 4.375% | 4.400% | 245,000.00            | 99.718%  | 244,309.10            |
| 10/01/2028   | Term 7 Coupon | 4.375% | 4.500% | 420,000.00            | 98.448%  | 413,481.60            |
| <b>Total</b> | -             | -      | -      | <b>\$1,895,000.00</b> | -        | <b>\$1,884,381.95</b> |

### Bid Information

|                                       |                |
|---------------------------------------|----------------|
| Par Amount of Bonds                   | \$1,895,000.00 |
| Reoffering Premium or (Discount)      | (10,618.05)    |
| Gross Production                      | \$1,884,381.95 |
| Total Underwriter's Discount (2.500%) | \$(47,375.00)  |
| Bid (96.940%)                         | 1,837,006.95   |
| Total Purchase Price                  | \$1,837,006.95 |
| Bond Year Dollars                     | \$20,400.60    |
| Average Life                          | 10.765 Years   |
| Average Coupon                        | 4.1158554%     |
| Net Interest Cost (NIC)               | 4.4001267%     |
| True Interest Cost (TIC)              | 4.4649502%     |

Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Current Refunding Escrow

| Date         | Rate | Receipts              | Disbursements         | Cash Balance |
|--------------|------|-----------------------|-----------------------|--------------|
| 06/24/2010   | -    | 1,907,818.54          | -                     | 1,907,818.54 |
| 06/25/2010   | -    | -                     | 1,907,818.54          | -            |
| <b>Total</b> | -    | <b>\$1,907,818.54</b> | <b>\$1,907,818.54</b> | -            |

### Investment Parameters

|                                           |              |
|-------------------------------------------|--------------|
| Investment Model [PV, GIC, or Securities] | Securities   |
| Default investment yield target           | Unrestricted |

|                                          |                |
|------------------------------------------|----------------|
| Cash Deposit                             | 1,907,818.54   |
| Total Cost of Investments                | \$1,907,818.54 |
| Target Cost of Investments at bond yield | \$1,907,600.51 |
| Actual positive or (negative) arbitrage  | (218.03)       |
| Yield to Receipt                         | -              |
| Yield for Arbitrage Purposes             | 4.1569751%     |

Final

**\$2,000,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Series 1998A

## Debt Service To Maturity And To Call

| Date         | Refunded Bonds        | Interest to Call   | D/S To Call           | Principal             | Coupon   | Interest              | Refunded D/S          |
|--------------|-----------------------|--------------------|-----------------------|-----------------------|----------|-----------------------|-----------------------|
| 06/24/2010   | -                     | -                  | -                     | -                     | -        | -                     | -                     |
| 06/25/2010   | 1,885,000.00          | 22,818.54          | 1,907,818.54          | -                     | -        | -                     | -                     |
| 10/01/2010   | -                     | -                  | -                     | 60,000.00             | 5.000%   | 48,896.88             | 108,896.88            |
| 04/01/2011   | -                     | -                  | -                     | -                     | -        | 47,396.88             | 47,396.88             |
| 10/01/2011   | -                     | -                  | -                     | 65,000.00             | 5.000%   | 47,396.88             | 112,396.88            |
| 04/01/2012   | -                     | -                  | -                     | -                     | -        | 45,771.88             | 45,771.88             |
| 10/01/2012   | -                     | -                  | -                     | 65,000.00             | 5.000%   | 45,771.88             | 110,771.88            |
| 04/01/2013   | -                     | -                  | -                     | -                     | -        | 44,146.88             | 44,146.88             |
| 10/01/2013   | -                     | -                  | -                     | 70,000.00             | 5.000%   | 44,146.88             | 114,146.88            |
| 04/01/2014   | -                     | -                  | -                     | -                     | -        | 42,396.88             | 42,396.88             |
| 10/01/2014   | -                     | -                  | -                     | 75,000.00             | 5.125%   | 42,396.88             | 117,396.88            |
| 04/01/2015   | -                     | -                  | -                     | -                     | -        | 40,475.00             | 40,475.00             |
| 10/01/2015   | -                     | -                  | -                     | 75,000.00             | 5.125%   | 40,475.00             | 115,475.00            |
| 04/01/2016   | -                     | -                  | -                     | -                     | -        | 38,553.13             | 38,553.13             |
| 10/01/2016   | -                     | -                  | -                     | 85,000.00             | 5.125%   | 38,553.13             | 123,553.13            |
| 04/01/2017   | -                     | -                  | -                     | -                     | -        | 36,375.00             | 36,375.00             |
| 10/01/2017   | -                     | -                  | -                     | 90,000.00             | 5.125%   | 36,375.00             | 126,375.00            |
| 04/01/2018   | -                     | -                  | -                     | -                     | -        | 34,068.75             | 34,068.75             |
| 10/01/2018   | -                     | -                  | -                     | 90,000.00             | 5.125%   | 34,068.75             | 124,068.75            |
| 04/01/2019   | -                     | -                  | -                     | -                     | -        | 31,762.50             | 31,762.50             |
| 10/01/2019   | -                     | -                  | -                     | 95,000.00             | 5.250%   | 31,762.50             | 126,762.50            |
| 04/01/2020   | -                     | -                  | -                     | -                     | -        | 29,268.75             | 29,268.75             |
| 10/01/2020   | -                     | -                  | -                     | 100,000.00            | 5.250%   | 29,268.75             | 129,268.75            |
| 04/01/2021   | -                     | -                  | -                     | -                     | -        | 26,643.75             | 26,643.75             |
| 10/01/2021   | -                     | -                  | -                     | 105,000.00            | 5.250%   | 26,643.75             | 131,643.75            |
| 04/01/2022   | -                     | -                  | -                     | -                     | -        | 23,887.50             | 23,887.50             |
| 10/01/2022   | -                     | -                  | -                     | 110,000.00            | 5.250%   | 23,887.50             | 133,887.50            |
| 04/01/2023   | -                     | -                  | -                     | -                     | -        | 21,000.00             | 21,000.00             |
| 10/01/2023   | -                     | -                  | -                     | 115,000.00            | 5.250%   | 21,000.00             | 136,000.00            |
| 04/01/2024   | -                     | -                  | -                     | -                     | -        | 17,981.25             | 17,981.25             |
| 10/01/2024   | -                     | -                  | -                     | 120,000.00            | 5.250%   | 17,981.25             | 137,981.25            |
| 04/01/2025   | -                     | -                  | -                     | -                     | -        | 14,831.25             | 14,831.25             |
| 10/01/2025   | -                     | -                  | -                     | 130,000.00            | 5.250%   | 14,831.25             | 144,831.25            |
| 04/01/2026   | -                     | -                  | -                     | -                     | -        | 11,418.75             | 11,418.75             |
| 10/01/2026   | -                     | -                  | -                     | 140,000.00            | 5.250%   | 11,418.75             | 151,418.75            |
| 04/01/2027   | -                     | -                  | -                     | -                     | -        | 7,743.75              | 7,743.75              |
| 10/01/2027   | -                     | -                  | -                     | 145,000.00            | 5.250%   | 7,743.75              | 152,743.75            |
| 04/01/2028   | -                     | -                  | -                     | -                     | -        | 3,937.50              | 3,937.50              |
| 10/01/2028   | -                     | -                  | -                     | 150,000.00            | 5.250%   | 3,937.50              | 153,937.50            |
| <b>Total</b> | <b>\$1,885,000.00</b> | <b>\$22,818.54</b> | <b>\$1,907,818.54</b> | <b>\$1,885,000.00</b> | <b>-</b> | <b>\$1,084,215.68</b> | <b>\$2,969,215.68</b> |

### Yield Statistics

|                                                   |              |
|---------------------------------------------------|--------------|
| Base date for Avg. Life & Avg. Coupon Calculation | 6/24/2010    |
| Average Life                                      | 10.773 Years |
| Average Coupon                                    | 5.2278603%   |
| Weighted Average Maturity (Par Basis)             | 10.773 Years |

### Refunding Bond Information

|                         |           |
|-------------------------|-----------|
| Refunding Dated Date    | 6/24/2010 |
| Refunding Delivery Date | 6/24/2010 |

Series 1998 | SINGLE PURPOSE | 6/17/2010 | 2:57 PM

**Crews & Associates, Inc.**

Capital Markets

Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Summary Of Bonds Refunded

| Issue                                          | Maturity   | Type   | of Bond | Coupon | Maturity<br>Value  | Call Date  | Call Price |
|------------------------------------------------|------------|--------|---------|--------|--------------------|------------|------------|
| <b>Dated 10/01/2007   Delivered 10/01/2007</b> |            |        |         |        |                    |            |            |
| Series 1998                                    | 10/01/2010 | Term 1 | Coupon  | 5.000% | 60,000             | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2011 | Term 1 | Coupon  | 5.000% | 65,000             | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2012 | Term 1 | Coupon  | 5.000% | 65,000             | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2013 | Term 1 | Coupon  | 5.000% | 70,000             | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2014 | Term 2 | Coupon  | 5.125% | 75,000             | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2015 | Term 2 | Coupon  | 5.125% | 75,000             | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2016 | Term 2 | Coupon  | 5.125% | 85,000             | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2017 | Term 2 | Coupon  | 5.125% | 90,000             | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2018 | Term 2 | Coupon  | 5.125% | 90,000             | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2019 | Term 3 | Coupon  | 5.250% | 95,000             | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2020 | Term 3 | Coupon  | 5.250% | 100,000            | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2021 | Term 3 | Coupon  | 5.250% | 105,000            | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2022 | Term 3 | Coupon  | 5.250% | 110,000            | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2023 | Term 3 | Coupon  | 5.250% | 115,000            | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2024 | Term 3 | Coupon  | 5.250% | 120,000            | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2025 | Term 3 | Coupon  | 5.250% | 130,000            | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2026 | Term 3 | Coupon  | 5.250% | 140,000            | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2027 | Term 3 | Coupon  | 5.250% | 145,000            | 06/25/2010 | 100.000%   |
| Series 1998                                    | 10/01/2028 | Term 3 | Coupon  | 5.250% | 150,000            | 06/25/2010 | 100.000%   |
| <b>Subtotal</b>                                | -          |        |         | -      | <b>\$1,885,000</b> | -          | -          |
| <b>Total</b>                                   | -          |        |         | -      | <b>\$1,885,000</b> | -          | -          |

Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Proof Of Bond Yield @ 4.1569751%

| Date         | Cashflow              | PV Factor  | Present Value         | Cumulative PV |
|--------------|-----------------------|------------|-----------------------|---------------|
| 06/24/2010   | -                     | 1.0000000x | -                     | -             |
| 10/01/2010   | 19,900.16             | 0.9889753x | 19,680.77             | 19,680.77     |
| 04/01/2011   | 36,928.13             | 0.9688381x | 35,777.38             | 55,458.15     |
| 10/01/2011   | 116,928.13            | 0.9491110x | 110,977.77            | 166,435.92    |
| 04/01/2012   | 35,728.13             | 0.9297855x | 33,219.50             | 199,655.41    |
| 10/01/2012   | 115,728.13            | 0.9108535x | 105,411.37            | 305,066.79    |
| 04/01/2013   | 34,528.13             | 0.8923070x | 30,809.69             | 335,876.48    |
| 10/01/2013   | 114,528.13            | 0.8741382x | 100,113.41            | 435,989.89    |
| 04/01/2014   | 33,328.13             | 0.8563393x | 28,540.19             | 464,530.08    |
| 10/01/2014   | 118,328.13            | 0.8389028x | 99,265.80             | 563,795.87    |
| 04/01/2015   | 31,840.63             | 0.8218213x | 26,167.31             | 589,963.18    |
| 10/01/2015   | 116,840.63            | 0.8050877x | 94,066.95             | 684,030.13    |
| 04/01/2016   | 30,353.13             | 0.7886948x | 23,939.35             | 707,969.49    |
| 10/01/2016   | 120,353.13            | 0.7726356x | 92,989.12             | 800,958.60    |
| 04/01/2017   | 28,778.13             | 0.7569035x | 21,782.27             | 822,740.87    |
| 10/01/2017   | 123,778.13            | 0.7414917x | 91,780.45             | 914,521.32    |
| 04/01/2018   | 27,115.63             | 0.7263937x | 19,696.62             | 934,217.94    |
| 10/01/2018   | 122,115.63            | 0.7116031x | 86,897.86             | 1,021,115.80  |
| 04/01/2019   | 25,334.38             | 0.6971137x | 17,660.94             | 1,038,776.74  |
| 10/01/2019   | 125,334.38            | 0.6829193x | 85,593.26             | 1,124,370.01  |
| 04/01/2020   | 23,459.38             | 0.6690139x | 15,694.65             | 1,140,064.66  |
| 10/01/2020   | 128,459.38            | 0.6553917x | 84,191.21             | 1,224,255.86  |
| 04/01/2021   | 21,359.38             | 0.6420468x | 13,713.72             | 1,237,969.59  |
| 10/01/2021   | 131,359.38            | 0.6289737x | 82,621.59             | 1,320,591.18  |
| 04/01/2022   | 19,159.38             | 0.6161667x | 11,805.37             | 1,332,396.55  |
| 10/01/2022   | 129,159.38            | 0.6036205x | 77,963.25             | 1,410,359.80  |
| 04/01/2023   | 16,904.38             | 0.5913298x | 9,996.06              | 1,420,355.87  |
| 10/01/2023   | 131,904.38            | 0.5792894x | 76,410.80             | 1,496,766.67  |
| 04/01/2024   | 14,546.88             | 0.5674941x | 8,255.27              | 1,505,021.94  |
| 10/01/2024   | 134,546.88            | 0.5559389x | 74,799.85             | 1,579,821.79  |
| 04/01/2025   | 11,921.88             | 0.5446191x | 6,492.88              | 1,586,314.67  |
| 10/01/2025   | 136,921.88            | 0.5335298x | 73,051.90             | 1,659,366.57  |
| 04/01/2026   | 9,187.50              | 0.5226662x | 4,802.00              | 1,664,168.57  |
| 10/01/2026   | 144,187.50            | 0.5120239x | 73,827.44             | 1,737,996.00  |
| 04/01/2027   | 6,234.38              | 0.5015982x | 3,127.15              | 1,741,123.16  |
| 10/01/2027   | 146,234.38            | 0.4913848x | 71,857.36             | 1,812,980.51  |
| 04/01/2028   | 3,171.88              | 0.4813794x | 1,526.88              | 1,814,507.39  |
| 10/01/2028   | 148,171.88            | 0.4715777x | 69,874.56             | 1,884,381.95  |
| <b>Total</b> | <b>\$2,734,659.08</b> | <b>-</b>   | <b>\$1,884,381.95</b> | <b>-</b>      |

### Derivation Of Target Amount

|                                  |                |
|----------------------------------|----------------|
| Par Amount of Bonds              | \$1,895,000.00 |
| Reoffering Premium or (Discount) | (10,618.05)    |
| Original Issue Proceeds          | \$1,884,381.95 |

Refunding Series 1998 (Fi | SINGLE PURPOSE | 6/17/2010 | 2:57 PM

**Crews & Associates, Inc.**

Capital Markets



Final

**\$1,895,000**

Jefferson County PSD

Sewer Refunding Revenue Bonds

Refunding Series 1998A (Bank Qualified / Non Rated - Level Savings)

## Derivation Of Form 8038 Yield Statistics

| Maturity     | Issuance Value        | Price    | Issuance<br>PRICE     | Exponent    | Bond Years             |
|--------------|-----------------------|----------|-----------------------|-------------|------------------------|
| 06/24/2010   | -                     | -        | -                     | -           | -                      |
| 10/01/2010   | -                     | 100.000% | -                     | 0.2694444x  | -                      |
| 10/01/2011   | 80,000.00             | 100.000% | 80,000.00             | 1.2694444x  | 101,555.56             |
| 10/01/2012   | 80,000.00             | 100.000% | 80,000.00             | 2.2694444x  | 181,555.56             |
| 10/01/2013   | 80,000.00             | 100.000% | 80,000.00             | 3.2694444x  | 261,555.56             |
| 10/01/2014   | 85,000.00             | 100.000% | 85,000.00             | 4.2694444x  | 362,902.78             |
| 10/01/2015   | 85,000.00             | 100.000% | 85,000.00             | 5.2694444x  | 447,902.78             |
| 10/01/2016   | 90,000.00             | 100.000% | 90,000.00             | 6.2694444x  | 564,250.00             |
| 10/01/2017   | 95,000.00             | 100.000% | 95,000.00             | 7.2694444x  | 690,597.22             |
| 10/01/2018   | 95,000.00             | 100.000% | 95,000.00             | 8.2694444x  | 785,597.22             |
| 10/01/2019   | 100,000.00            | 100.000% | 100,000.00            | 9.2694444x  | 926,944.44             |
| 10/01/2020   | 105,000.00            | 100.000% | 105,000.00            | 10.2694444x | 1,078,291.67           |
| 10/01/2021   | 110,000.00            | 100.000% | 110,000.00            | 11.2694444x | 1,239,638.89           |
| 10/01/2022   | 110,000.00            | 98.485%  | 108,333.50            | 12.2694444x | 1,329,191.86           |
| 10/01/2023   | 115,000.00            | 98.485%  | 113,257.75            | 13.2694444x | 1,502,867.42           |
| 10/01/2024   | 120,000.00            | 99.718%  | 119,661.60            | 14.2694444x | 1,707,504.55           |
| 10/01/2025   | 125,000.00            | 99.718%  | 124,647.50            | 15.2694444x | 1,903,298.08           |
| 10/01/2026   | 135,000.00            | 98.448%  | 132,904.80            | 16.2694444x | 2,162,287.26           |
| 10/01/2027   | 140,000.00            | 98.448%  | 137,827.20            | 17.2694444x | 2,380,199.17           |
| 10/01/2028   | 145,000.00            | 98.448%  | 142,749.60            | 18.2694444x | 2,607,955.89           |
| <b>Total</b> | <b>\$1,895,000.00</b> | <b>-</b> | <b>\$1,884,381.95</b> | <b>-</b>    | <b>\$20,234,095.90</b> |

### IRS Form 8038

|                                                    |              |
|----------------------------------------------------|--------------|
| Weighted Average Maturity = Bond Years/Issue Price | 10.738 Years |
| Total Interest from Debt Service                   | 839,659.08   |
| Reoffering (Premium) or Discount                   | 10,618.05    |
| Total Interest                                     | 850,277.13   |
| NIC = Interest / (Issue Price * Average Maturity)  | 4.2021998%   |
| Bond Yield for Arbitrage Purposes                  | 4.1569751%   |